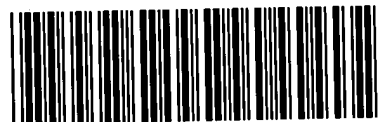


Company Registration No. 03769351 (England and Wales)

**M2 MANAGED DOCUMENT SERVICES LTD  
(FORMERLY HOBS ON-SITE LIMITED)**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
4 MAY 2018**

WEDNESDAY



A15 \*A7G9ZHNN\* 10/10/2018 #61  
COMPANIES HOUSE

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)**

## **COMPANY INFORMATION**

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<b>Directors</b>	S Kelly J P Rigby S P Rigby J P Taylor
<b>Company number</b>	03769351
<b>Registered office</b>	Brightgate House Brightgate Way Stretford Manchester M32 0TB
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG
<b>Bankers</b>	HSBC plc City Branch 4 Dale Street Liverpool L69 2BZ
<b>Solicitors</b>	Gowling WLG (UK) LLP 2 Snowhill Birmingham West Midlands B4 6WR

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# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)**

## **STRATEGIC REPORT**

### **FOR THE PERIOD ENDED 4 MAY 2018**

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The directors present the strategic report for the period ended 4 May 2018.

#### **Company overview**

M2 Managed Document Services Ltd (formerly Hobs On-Site Limited) provides tailored on-site outsourcing solutions including print rooms, post room and creative design services. This is achieved through the augmentation of technology into the customer's business information processes, to achieve efficiencies and quality improvements.

#### **Our history**

Hobs On-Site Limited, now M2 Managed Document Services Ltd ('M2 MDS'), was established in 1999 to specialise in outsourced manned and unmanned printing and document solutions located on customer premises and developed mailroom and other ancillary services as technology developed.

The company has grown significantly, and now operates across a variety of market sectors, with a strong presence in legal document services. In particular, as well as undertaking the delivery of customer's immediate and traditional document support services, M2 MDS focuses on the client's journey to a digital, non-paper, workflow model. Re-engineering processes, retraining staff and introducing technology, to support the migration to a hybrid and then a full digital working environment.

On 4 May 2018, Hobs Group took the decision to sell the company as it was felt that it was less strategically aligned with the rest of the Hobs Group companies.

The acquisition of the company by M2 Digital Limited ('M2'), a part of the SCC EMEA Group ('SCC'), was considered to provide the company with the best opportunity for continued growth. With M2's position as one of the leading Managed Print Services providers in the UK, and SCC EMEAs position as the largest independent IT services provider in the Europe, M2 MDS will continue to deliver managed document services to customers, whilst also bridging the gap between the Managed Print Services provided by M2 and the IT services provided by SCC.

On 11 May 2018, the company changed its name from Hobs On-Site Limited to M2 Managed Document Services Ltd.

#### **Business review**

M2 MDS saw turnover increase by £146k (1.8%) year on year to £8.2m through the addition of several new contracts plus the full year effect of new contracts won in the previous year.

Gross margin improved slightly from 28.6% to 30.3% mainly driven by contract mix changing.

Operating profit (before exceptional items) of £920k was £81k lower than the prior year and represented a reduction in EBIT % of 1.2% from 12.4% to 11.2%.

The exceptional items arose from the Hobs Group's decision to sell the company and to restructure the intercompany arrangements across the Group leading to a waiver of the intercompany debt owed to M2 MDS by other Hobs Group companies amounting to £4,465k, see note 4.

The net assets of the company reduced from £6,903,346 to £2,303,929 largely as a result of the intercompany debtor waiver referred to above, and after investment in new plant and machinery which was acquired on finance lease.

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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### **Corporate social responsibility**

#### *Environment*

The company as part of the Hobs Group has always been conscious of the impact it has on the local community, the environment and our sustainability.

We are committed to reducing our impact on the environment. That's why it is our policy to establish, implement and maintain an effective, documented environmental system based on the requirements of BS EN ISO 14001.

Through our network of suppliers we now use FSC paper as standard, and for bespoke jobs wherever possible.

We print onto various recycled papers and we use various inks including vegetable based inks that have a low impact on the environment.

We continually review our production processes to minimise levels of waste, reuse or recycle materials and product whenever possible, and only dispose of waste via licensed waste contractors.

Under the SCC EMEA group we will continue to take our environmental responsibilities seriously and will be governed by the SCC EMEA Corporate Social Responsibility Code.

#### *Staff*

The directors would like to go on record to express their thanks to all staff within the company for their continued support during the year.

### **Monitoring and managing risk**

The principal risks and uncertainty facing the company's business are as follows:

- The impact of the wider economy. The directors believe this risk is reducing as the UK economy continues to strengthen, although in the medium-term it could be impacted by the Brexit process as this unfolds over the coming several years
- Price risk has now increased as suppliers start to pass on price increases in imported raw materials caused by the current weakness in sterling. The stability of sterling against major foreign currencies will be key to preventing any further price increases, although import tariffs may then start to take effect later on once Brexit negotiations are concluded
- Competition – In a document services outsourcing market consisting of a number of large international competitors, M2 MDS remains a relatively small entity. Despite a highly competitive environment, M2 MDS benefits from its size through the ability to be agile to customer's needs, and the focus on customer service
- The directors carry out a regular review of the risk environment in which the company operates. The board believes that the company has adequate procedures and processes in place to ensure these risks are monitored and managed appropriately

### **Key performance indicators**

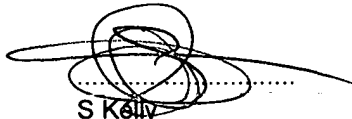
The directors continue to monitor performance through the production of a 3-year business plan, supported by the production of detailed annual budgets and forecasts. Performance will be monitored by the comparison of actual performance against these budgets and forecasts, in particular sales growth, gross profit, overheads and operating profit percentage. Particular attention is also paid to the pipeline of contracts tendered and converted into sales.

**M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)**

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE PERIOD ENDED 4 MAY 2018**

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On behalf of the board



S Kelly

Director

Date: 4/10/18

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **DIRECTORS' REPORT**

### **FOR THE PERIOD ENDED 4 MAY 2018**

---

The directors present their annual report and financial statements for the period ended 4 May 2018.

#### **Principal activities**

The principal activity of the company during the year was on site facilities management.

#### **Directors**

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

J Duckenfield	(Resigned 4 May 2018)
D Gordon	(Resigned 4 May 2018)
S Kelly	
S P Walsh-Hill	(Resigned 4 May 2018)
K J O'Brien	(Resigned 8 September 2017)
J P Rigby	(Appointed 4 May 2018)
S P Rigby	(Appointed 4 May 2018)
J P Taylor	(Appointed 4 May 2018)

#### **Results and dividends**

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

The exceptional loss for the year follows the decision by the Hobs group to sell the company and to restructure intercompany debt arrangements. The underlying trading performance for the year remains strong and the directors are optimistic about the future.

Ordinary dividends were paid amounting to £964,735. The directors do not recommend payment of a further dividend.

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

#### **Going concern**

Further to the financial performance of the company as presented in the Directors' Report and Strategic Report, the directors consider that the company is in a strong position to manage its risks even in prolonged circumstances of weaker economic activity.

Following the acquisition by M2 Digital detailed budgets for the coming financial year along with a three year plan have been prepared, which, together with the new opportunities available as part of the SCC EMEA Group, provide confidence in the company's prospects to continue as a going concern.

#### **Future developments**

The directors are confident that the business will continue to thrive from building on the existing infrastructure to win further on-site print facilities management contracts. In addition, the company will be able to benefit from the opportunities and synergies available to it as part of the SCC EMEA Group.

#### **Auditor**

The Board has decided to propose a resolution to appoint Deloitte LLP as auditor to the company, upon resignation of RSM UK Audit LLP.

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 4 MAY 2018**

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### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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:

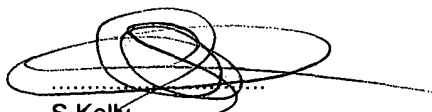
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



S Kelly  
Director

Date: 4/10/18

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

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### **Opinion**

We have audited the financial statements of M2 Managed Document Services Ltd (formerly Hobs On-Site Limited) (the 'company') for the period ended 4 May 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 4 May 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The 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 period 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED) (CONTINUED)**

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### **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 and the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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.

*RSM UK Audit LLP*

Jacqui Baker (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

14th Floor

20 Chapel Street

Liverpool

L3 9AG

9/10/18

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 4 MAY 2018

		Period ended 4 May 2018 £	Year ended 30 April 2017 £
	Notes		
<b>Turnover</b>	<b>3</b>	8,203,492	8,057,246
Cost of sales		(5,717,550)	(5,750,067)
<b>Gross profit</b>		2,485,942	2,307,179
Administrative expenses		(1,565,728)	(1,306,414)
<b>Operating profit before exceptional items</b>		920,214	1,000,765
Exceptional items	<b>4</b>	(4,465,608)	-
<b>Operating (loss)/profit</b>	<b>7</b>	(3,545,394)	1,000,765
Interest payable and similar expenses	<b>9</b>	(36,532)	(2,491)
<b>(Loss)/profit before taxation</b>		(3,581,926)	998,274
Tax on loss/profit	<b>10</b>	(52,756)	(211,156)
<b>(Loss)/profit for the financial period</b>		(3,634,682)	787,118

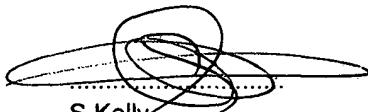
# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## STATEMENT OF FINANCIAL POSITION

AS AT 4 MAY 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Intangible assets	12		76,470		34,010
Tangible assets	13		2,117,588		1,248,201
			<u>2,194,058</u>		<u>1,282,211</u>
<b>Current assets</b>					
Stocks	14	82,004		76,539	
Debtors	15	1,676,120		6,206,407	
Cash at bank and in hand		661,491		459,578	
		<u>2,419,615</u>		<u>6,742,524</u>	
<b>Creditors: amounts falling due within one year</b>	16	(1,282,167)		(1,121,389)	
<b>Net current assets</b>			<u>1,137,448</u>		<u>5,621,135</u>
<b>Total assets less current liabilities</b>			<u>3,331,506</u>		<u>6,903,346</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(1,027,577)		-
<b>Net assets</b>			<u><u>2,303,929</u></u>		<u><u>6,903,346</u></u>
<b>Capital and reserves</b>					
Called up share capital	21		2		2
Profit and loss reserves	22		2,303,927		6,903,344
<b>Total equity</b>			<u><u>2,303,929</u></u>		<u><u>6,903,346</u></u>

The financial statements were approved by the board of directors and authorised for issue on 4/10/18 and are signed on its behalf by:

  
S Kelly  
Director

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 4 MAY 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 May 2016</b>		2	6,116,226	6,116,228
<b>Period ended 30 April 2017:</b>				
Profit and total comprehensive income for the period		-	787,118	787,118
<b>Balance at 30 April 2017</b>		2	6,903,344	6,903,346
<b>Period ended 4 May 2018:</b>				
Loss and total comprehensive income for the period		-	(3,634,682)	(3,634,682)
Dividends	11	-	(964,735)	(964,735)
<b>Balance at 4 May 2018</b>		2	2,303,927	2,303,929

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 4 MAY 2018**

---

### **1 Accounting policies**

#### **Company information**

M2 Managed Document Services Ltd (formerly Hobs On-Site Limited) is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Brightgate House, Brightgate Way, Stretford, Manchester, M32 0TB. The company changed its name on 11 May 2018.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### **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.

#### **Reduced disclosure exemptions**

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The financial statements of the company are consolidated in the financial statements of Hobs Group Limited. The consolidated financial statements of Hobs Group Limited are available from its registered office - see Note 24. In the next financial period the financial statements of the company will be consolidated in the financial statements of Rigby Group (RG) Plc, following the acquisition of the company by M2 Digital Limited on 4 May 2018.

#### **Going concern**

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

#### **Reporting period**

The company has taken advantage of the option to prepare its financial statements within 7 days of the accounting reference date, and as a result has prepared its financial statements to 4 May 2018. The company has taken this option in order to prepare its financial statements up to the date of a change in ownership.

#### **Turnover**

Turnover represents the invoiced amount of goods and services sold, net of trade discounts and valued added tax.

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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### **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.

#### **Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

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

Software	- 20% - 33% straight line
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#### **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	- 20% - 33% straight line
Fixtures and fittings	- 25% straight line
Motor vehicles	- 25% 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.

#### **Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

#### **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.

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.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and bank current accounts.

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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### **1 Accounting policies (Continued)**

#### **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 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 trade and other 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.

#### **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.

#### **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 trade and other creditors, 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.

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

#### **Equity instruments**

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

# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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### **1 Accounting policies (Continued)**

#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

#### **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.

#### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

All employees' pension costs are recharged from Hobs Reprographics plc.

Hobs Reprographics plc operates a defined contribution scheme and benefits are funded over the employee's period of service by way of contributions from the company and employees. Contributions are charged to profit or loss in the year in which they become payable.



# **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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### **1 Accounting policies (Continued)**

#### **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 statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### **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.

#### **Categorisation of leases**

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Useful life of fixed assets

In making decisions regarding the depreciation of fixed assets, management must estimate the useful life of said assets to the business. A change in estimate would result in a change in the depreciation charged to profit or loss in each year.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
On site facilities management	8,203,492	8,057,246

	2018 £	2017 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	8,104,477	8,013,354
Overseas	99,015	43,892
	8,203,492	8,057,246

### 4 Exceptional costs

	2018 £	2017 £
Intercompany debt waiver	4,465,608	-

Further to the decision to sell the company the Hobs Group restructured the intercompany debt arrangements across the Group which resulted in the company providing debt waivers to Hobs Reprographics plc, Anexsys Limited and Hobs 3D Limited in relation to balances owed by these entities to the company.

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 5 Employees

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

	2018 Number	2017 Number
Management	1	1
Staff	98	103
	<u>99</u>	<u>104</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,739,716	2,683,638
Social security costs	260,244	257,063
Pension costs	136,987	86,848
	<u>3,136,947</u>	<u>3,027,549</u>

Before 1 February 2018, all wages and salaries were recharged from Hobs Reprographics plc.

### 6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	105,484	103,362
Company pension contributions to defined contribution schemes	4,700	4,700
	<u>110,184</u>	<u>108,062</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 7 Operating (loss)/profit

	2018	2017
	£	£
Operating (loss)/profit for the period is stated after charging/(crediting):		
Exchange losses	1,282	771
Depreciation of owned tangible fixed assets	396,790	454,368
Depreciation of tangible fixed assets held under finance leases	207,456	167,069
(Profit)/loss on disposal of tangible fixed assets	(5,948)	1,903
Amortisation of intangible assets	34,381	13,851
Cost of stocks recognised as an expense	2,556,009	2,702,560
Operating lease charges	266,980	74,776
Intercompany debt waiver	4,465,608	-
	<u>          </u>	<u>          </u>

### 8 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	12,000	3,090
	<u>          </u>	<u>          </u>

Statutory information on remuneration for other services provided by the company's auditor and its associates is given on a consolidated basis in the group accounts of Hobs Group Limited.

### 9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on finance leases and hire purchase contracts	36,532	2,491
	<u>          </u>	<u>          </u>

### 10 Taxation

	2018	2017
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	49,586	159,908
Adjustments in respect of prior periods	(1,001)	(136)
	<u>          </u>	<u>          </u>
Total current tax	48,585	159,772
	<u>          </u>	<u>          </u>

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 10 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	4,115	36,595
Changes in tax rates	-	9,745
Adjustment in respect of prior periods	56	5,044
Total deferred tax	4,171	51,384
Total tax charge	52,756	211,156

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. A further reduction to the UK Corporation tax rate was substantively enacted on 6 September 2016, reducing the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

The total tax charge for the period included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
(Loss)/profit before taxation	(3,581,926)	998,274
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.92%)	(680,566)	198,856
Tax effect of expenses that are not deductible in determining taxable profit	849,343	3,463
Tax effect of income not taxable in determining taxable profit	(135)	-
Adjustments in respect of prior years	(1,001)	(136)
Group relief	(114,604)	-
Deferred tax adjustments in respect of prior years	56	5,044
Adjust deferred tax to average rates	(485)	3,464
Fixed asset differences	148	465
Taxation charge for the period	52,756	211,156

### 11 Dividends

	2018 £	2017 £
Final paid	964,735	-

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 12 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 May 2017	74,518
Additions	77,027
Disposals	(8,969)
At 4 May 2018	142,576
<b>Amortisation and impairment</b>	
At 1 May 2017	40,508
Amortisation charged for the period	34,381
Disposals	(8,783)
At 4 May 2018	66,106
<b>Carrying amount</b>	
At 4 May 2018	76,470
At 30 April 2017	34,010

The amortisation charge for the year is recognised within administrative expenses.

### 13 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 May 2017	9,445,620	14,488	70,743	9,530,851
Additions	1,480,238	524	6,425	1,487,187
Disposals	(6,915,455)	-	(28,923)	(6,944,378)
At 4 May 2018	4,010,403	15,012	48,245	4,073,660
<b>Depreciation and impairment</b>				
At 1 May 2017	8,255,265	7,070	20,314	8,282,649
Depreciation charged in the period	582,516	2,694	19,036	604,246
Eliminated in respect of disposals	(6,907,449)	-	(23,374)	(6,930,823)
At 4 May 2018	1,930,332	9,764	15,976	1,956,072
<b>Carrying amount</b>				
At 4 May 2018	2,080,071	5,248	32,269	2,117,588
At 30 April 2017	1,190,355	7,418	50,428	1,248,201

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 13 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2018 £	2017 £
Plant and machinery	1,240,220	-
Depreciation charge for the period in respect of leased assets	207,456	167,069

### 14 Stocks

	2018 £	2017 £
Raw materials and consumables	82,004	76,539

### 15 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,376,144	1,762,468
Amounts owed by group undertakings	-	4,158,927
Other debtors	9,698	-
Prepayments and accrued income	165,384	155,947
	1,551,226	6,077,342
Deferred tax asset (note 19)	124,894	129,065
	1,676,120	6,206,407

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 16 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Obligations under finance leases	18	256,365	-
Trade creditors		203,549	555,116
Corporation tax		49,384	159,772
Other taxation and social security		328,340	143,449
Other creditors		28,695	-
Accruals and deferred income		415,834	263,052
		<u>1,282,167</u>	<u>1,121,389</u>

At 4 May 2018 there was a debenture dated 19 March 2015, in favour of HSBC Bank Plc, secured by a fixed and floating charge over all assets and undertakings of the company and a legal charge dated 20 March 2015, in favour of HSBC Bank Plc secured by a legal assignment of contract monies.

Both charges were satisfied in the post balance sheet period on 27 June 2018.

There is a Composite Company Unlimited Multilateral Guarantee dated 17 December 2014 given by Hobs Reprographics plc, Anexsys Limited, M2 Managed Document Services Ltd (formerly Hobs On-Site Limited), Hobs Liver Limited and Hobs Group Limited. The balance at the period end was £16,323 (2017 - £Nil).

### 17 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Obligations under finance leases	18	<u>1,027,577</u>	<u>-</u>

### 18 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Less than one year	296,355	-
Between one and five years	<u>1,093,730</u>	<u>-</u>
	1,390,085	-
Less: future finance charges	<u>(106,143)</u>	<u>-</u>
	<u>1,283,942</u>	<u>-</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. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligation is secured on the relevant assets.



# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2018 £	Assets 2017 £
<b>Balances:</b>		
Short term timing differences	3,829	-
Depreciation in excess of capital allowances	121,065	129,065
	<u>124,894</u>	<u>129,065</u>
<b>Movements in the period:</b>		<b>2018 £</b>
Asset at 1 May 2017		(129,065)
Charge to profit or loss		4,171
Asset at 4 May 2018		<u>(124,894)</u>

A deferred tax asset has been recognised in relation to the excess of depreciation over taxation allowances, as the company is forecasting to make taxable profits in the next year and £6,008 is expected to reverse within 12 months.

### 20 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	136,987	86,848

Up to the date of disposal of M2 Managed Document Services Ltd (formerly Hobs On-Site Limited) from the Hobs Group, Hobs Reprographics plc operated a defined contribution scheme for all qualifying employees of M2 Managed Document Services Ltd. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £50,525 (2017 - £Nil) were payable to the fund at the year end and are included in creditors.

# M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBS ON-SITE LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018

### 21 Share capital

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

### 22 Reserves

#### **Profit and loss reserves**

Cumulative profit and loss net of distribution to owners.

### 23 Operating lease commitments

#### **Lessee**

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:

	2018 £	2017 £
Within one year	188,880	6,000
Between one and five years	189,847	24,000
In over five years	-	27,945
	<u>378,727</u>	<u>57,945</u>
	<u>378,727</u>	<u>57,945</u>

## **M2 MANAGED DOCUMENT SERVICES LTD (FORMERLY HOBBS ON-SITE LIMITED)**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 MAY 2018**

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#### **24 Controlling party**

Until 8 September 2017 the immediate and ultimate parent company was Hobs Liver Limited (formerly Hobs Group Limited).

From 8 September 2017, following an acquisition, the immediate parent company is Hobs Liver Limited (formerly Hobs Group Limited) and the ultimate parent company is Hobs Group Limited, a company registered in England and Wales. The consolidated accounts of Hobs Group Limited are available to the public from its registered office:

14 Castle Street  
Liverpool  
England  
L2 0NE

The directors consider there to be no ultimate controlling party of Hobs Group Limited.

On 4 May 2018 the company was acquired by M2 Digital Limited who became the immediate parent company. M2 Digital Limited is part of the SCC EMEA Limited Group, which is headed up by Rigby Group (RG) plc which became the ultimate parent company. Both companies are registered in England and Wales.