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Clays Ltd
Financial statements
31 December 2020



Clays Ltd

Financial statements

Year ended 31 December 2020

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Clays Ltd

Officers and professional advisers

The board of directors

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

Company secretary

J P Hulley

Registered office

Clays Printing Works
Popson Street
Bungay
Norfolk
NR35 1ED

Auditor

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

Clays Ltd

Strategic report

Year ended 31 December 2020

Introduction

The Directors present the Strategic Report, their Directors' Report and the audited financial statements for the year ended 31 December 2020 ("the financial period" or "period"). Comparative figures are for the year ended 31 December 2019. The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Business strategy and objectives

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

The company's strategy continues to be focused on optimising production, growing market share and to create value for our customers.

The directors are satisfied that the company is well placed to react to the external market forces mentioned above. The company's strategy continues to be focused on optimising processes and investing in new print technologies where appropriate.

Business review

The results for the period are shown on page 14, and the state of the company's affairs are shown on page 15. The company's profit before tax for the year ended 31 December 2020 amounted to £3.6m (2019: – £6.5m). Revenue for the trading period was £74.0m (2019: £73.1m). The profit for the year reflects an increase in wage and salary costs across departments, in part because of the disrupted phasing of work during the year. The profit also includes £1m of grant income received under the UK government's Coronavirus Job Retention Scheme, which underpinned the ability of the company to respond positively on easing of restrictions following the initial lockdown on confirmation of a pandemic.

The market continues to demand fast delivery times and ever shorter run lengths. The company has responded to this in 2020 and the prior year, with a significant investment in new equipment that further improves its ability to service customers. The company will continue to monitor this trend and invest in the most appropriate technology to adapt to the market changes.

Financial key performance indicators

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

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Turnover (£)	74,024,639	73,113,131
Gross profit margin (%)	16.8	19.7

The reduction in gross profit margin reflects the exceptional pattern of trading caused by the Covid-19 pandemic. This led to additional costs as demand was weighted towards the end of the year.

Clays Ltd

Strategic report *(continued)*

Year ended 31 December 2020

Principal risks and uncertainties

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

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

Financial risk management objectives and policies

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

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

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

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

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

Clays Ltd

Strategic report *(continued)*

Year ended 31 December 2020

Future developments

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

Post balance sheet events

In 2020 the COVID-19 pandemic had a significant effect as demonstrated by the results within these financial statements. The later part of the year saw increased demand from customers as there was significant growth in the demand from the ultimate customer, this has continued into 2021. The result of this is that since the year-end the company has not been affected negatively by the continuing pandemic and with the roll out of the vaccine, the directors do not envisage this changing in the remainder of 2021. With the country starting to return to "normal" the directors hope to see a return to similar demand as experienced in 2019.

At the end of 2020 the United Kingdom withdrew from the European Union. While this has caused a limited level of cost inflation, its effect to date has been limited. The directors continue to keep the matter under review.

Employees

Our staff are fundamental to the successful operation of the business. The Company is committed to a policy of equal opportunities for all and aim to be a responsible employer in the approach we take towards pay and benefits that our employees receive. We continue to develop an environment where employees feel valued and engaged in the business through regular communication and consultation.

Shareholders

Our ultimate shareholder, Pozzoni Group Limited, is in constant contact with the Company via mutual directors.

Customers

Through dedicated account management, regular communication and discussion, demand planning, regular site visits, technology partnerships and sustainability strategy.

Suppliers

Engagement via a clearly defined purchasing policy, regular communication and trading updates and the creation of long-term trusted partnerships The Company will review its policies each year to ensure that they are consistent with the long-term business aims including its environmental policy. The Company looks for and implements ways of reducing its impact on the environment and holds a number of environmental accreditations.

Clays Ltd

Strategic report *(continued)*

Year ended 31 December 2020

Greenhouse Gas (GHG) Emissions

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard, Clays Ltd has been engaged in a process aimed at reducing our energy and greenhouse gas emissions. The company and its directors are fully committed to preventing pollution, and making continual improvements to minimise our effect on the environment.

Unavoidably, Clays Limited recognises that its business activities interact with the environment in a variety of ways including via the use of energy, generation of waste, solvent emissions, noise & raw materials. The company recognises its responsibility to help protect the environment, be a responsible neighbour and provide a comfortable environment for its employees. The company is committed to:

- Continual improvement in the environmental impact of its business activities.
- Complying with all relevant legal, customer, and other third-party requirements.
- Adopting best practices applicable to its activities wherever possible.

The Company will achieve these commitments by:

- The continued compliance with our management system under ISO14001:2015.
- Protecting the environment and preventing pollution.
- Maintaining an environmental performance improvement programme.

To reduce the company's carbon footprint there is a particular focus on the reduction in use of oil and electricity which accounts for the majority of emissions. The company aims to achieve this by embedding carbon management in all activities. Examples of how this might be achieved include improved plant management during weekends to reduce out of hours energy use, the maintenance of equipment to operate efficiently and to maintain a capital expenditure programme that also embeds operating efficiency. Given the age of the buildings occupied by the company there is an element of energy usage that will be difficult to reduce quickly.

The emissions of the company in the year ended 31 December 2020 are summarised as below. In presenting this information we note that we have reported all of emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 and 2020.

The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary. Emissions for previous years are retrospectively adjusted as and when more accurate data is provided (comparative information is not a requirement for the current year).

	31 December 2020
UK Energy Consumed:	
Electricity use	20,827,590 kwh
Oil and Diesel consumption	341,978 litres
UK Emissions from (tonnes):	
Scope 1 (Direct)	1,150
Scope 2 (Energy Indirect)	4,416
Company's Chosen Intensity Measurement (ratio):	
Total CO2 emissions for £m Revenue (tonnes/£m revenue)	75.2

Note: All electricity used is 'grid average' in its origination source.

Clays Ltd

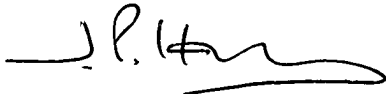
Strategic report *(continued)*

Year ended 31 December 2020

Statement concerning section 172 of the Companies Act

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

This report was approved by the board of directors on 21.9.21 and signed on behalf of the board by:



J P Hulley
Director

Clays Ltd

Directors' report

Year ended 31 December 2020

The directors present their report and the financial statements of the company for the year ended 31 December 2020.

Principal activities

The Company's principal activity is the printing of books and ancillary added value services.

Directors

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

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

On 4 May 2020 E Cuomo was appointed as director.

J P Hulley will retire as CEO in May 2022. He will remain a member of the board as a non-executive director and senior advisor. E Cuomo, a member of the owning family, will become CEO upon J P Hulley's retirement, completing the integration of Clays into the Pozzoni Group.

Dividends

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

Employment of disabled persons

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

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

Employment policies

Our staff are fundamental to the successful operation of the business. The Company is committed to a policy of equal opportunities for all and aim to be a responsible employer in the approach we take towards pay and benefits that our employees receive. We continue to develop an environment where employees feel valued and engaged in the business through regular communication and consultation.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 28 to the financial statements.

Clays Ltd

Directors' report *(continued)*

Year ended 31 December 2020

Section 172 statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic report on pages 2 to 6. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, thus complying with the requirement to include a statement setting out how our Directors have discharged this duty. In this context we note the following:

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

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

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

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

Matters covered in the Strategic report

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

- Business review

Clays Ltd

Directors' report *(continued)*

Year ended 31 December 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

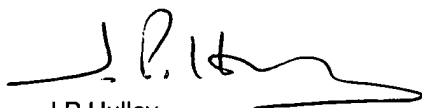
Auditor

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

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

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

This report was approved by the board of directors on 21.9.21 and signed on behalf of the board by:



J P Hulley
Director

Clays Ltd

Independent auditor's report to the members of Clays Ltd

Year ended 31 December 2020

Opinion

We have audited the financial statements of Clays Ltd (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

Clays Ltd

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

Year ended 31 December 2020

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Clays Ltd

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

Year ended 31 December 2020

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the principal laws and regulations applicable to the company through discussions with management and our wider knowledge and experience;
- identified laws and regulations were considered in our planning of the audit and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify material unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the principal accounting policies were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing material financial statement disclosures to underlying supporting documentation; and
- enquiring of management and directors as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Clays Ltd

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

Year ended 31 December 2020

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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


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

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

23 September 2021

Clays Ltd

Statement of comprehensive income

Year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	74,024,639	73,113,131
Cost of sales		(61,596,219)	(58,724,669)
Gross profit		12,428,420	14,388,462
Selling expenses		(1,013,679)	(963,571)
Administrative expenses		(8,692,331)	(6,865,207)
Other operating income	5	988,491	—
Operating profit	6	3,710,901	6,559,684
Other interest receivable and similar income	10	473	14,600
Interest payable and similar expenses	11	(83,525)	(75,568)
Profit before taxation		3,627,849	6,498,716
Tax on profit	12	(715,596)	(1,223,235)
Profit for the financial year and total comprehensive income		<u>2,912,253</u>	<u>5,275,481</u>

All the activities of the company are from continuing operations.

The comparative information has been restated to reflect a re-allocation of cost from administrative expenses to selling expenses of £766,756.

The notes on pages 17 to 29 form part of these financial statements.

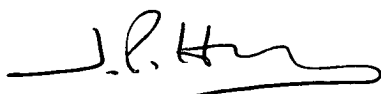
Clays Ltd

Statement of financial position

31 December 2020

	Note	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	15		13,860,776		14,325,907
Current assets					
Stocks	16	4,167,379		3,484,229	
Debtors	17	21,937,218		20,333,350	
Cash at bank and in hand		<u>15,738,369</u>		<u>10,751,346</u>	
		41,842,966		34,568,925	
Creditors: Amounts falling due within one year	18	<u>(20,066,826)</u>		<u>(18,587,445)</u>	
Net current assets			<u>21,776,140</u>		<u>15,981,480</u>
Total assets less current liabilities			35,636,916		30,307,387
Creditors: Amounts falling due after more than one year	19		(5,361,481)		(3,200,143)
Provisions					
Taxation including deferred tax	21		<u>(595,990)</u>		<u>(340,052)</u>
Net assets			<u>29,679,445</u>		<u>26,767,192</u>
Capital and reserves					
Called up share capital	25		2,369,327		2,369,327
Share premium account	26		82,038		82,038
Profit and loss account	26		<u>27,228,080</u>		<u>24,315,827</u>
Shareholders funds			<u>29,679,445</u>		<u>26,767,192</u>

These financial statements were approved by the board of directors and authorised for issue on 21.9.21, and are signed on behalf of the board by:



J P Hulley
Director

Company registration number: 00342498

The notes on pages 17 to 29 form part of these financial statements.

Clays Ltd

Statement of changes in equity

Year ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2019	2,369,327	82,038	20,769,955	23,221,320
Profit for the year	—	—	5,275,481	5,275,481
Total comprehensive income for the year	—	—	5,275,481	5,275,481
Dividends paid and payable	13	—	(1,729,609)	(1,729,609)
Total investments by and distributions to owners	—	—	(1,729,609)	(1,729,609)
At 31 December 2019	2,369,327	82,038	24,315,827	26,767,192
Profit for the year	—	—	2,912,253	2,912,253
Total comprehensive income for the year	—	—	2,912,253	2,912,253
At 31 December 2020	<u>2,369,327</u>	<u>82,038</u>	<u>27,228,080</u>	<u>29,679,445</u>

The notes on pages 17 to 29 form part of these financial statements.

Clays Ltd

Notes to the financial statements

Year ended 31 December 2020

1. General information

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

2. Statement of compliance

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

3. Accounting policies

3.1 Basis of preparation

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

3.2 Going concern

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

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

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

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

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

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

3.3 Disclosure exemptions

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

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

This information is included in the consolidated financial statements of Pietro Pozzoni E C, S.A.P.A. as at 31 December 2020 and these financial statements may be obtained from the General Counsel of Elcograf spa by writing to them at Via Mondadori 16, 37131, Verona, Italy.

3.4 Judgements and key sources of estimation uncertainty

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

The following are considered areas of estimation uncertainty:

- The Company considers the recoverability of engineering stock items. The key areas of judgement when assessing the recoverability of these assets are in relation to the net realisable values of the items and when they are likely to be used. In the current period an impairment of £Nil (2019: £Nil) was recorded against stock items. Refer to note 16 for further information regarding stock carrying values.
- Determining whether an allowance is required against certain customer and other receivable balances involves an estimate of the ability of counterparties to make required payments. If the financial positions of the counterparties were to deteriorate, affecting their ability to make payments, additional allowances may be required in future periods. Refer to note 17 for further information regarding debtor carrying values and note 6 for impairment charges recognised in the period.

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

3.5 Revenue recognition

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

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

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

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

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

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

3.6 Income tax

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

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

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

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

3.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non monetary items measured at fair value are measured using the exchange rate when fair value was determined.

3.8 Operating leases

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

3.9 Intangible assets

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

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

3.10 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

3.11 Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset, using the straight-line method.

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

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

Depreciation *(continued)*

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

3.12 Stocks

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

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

3.13 Finance leases and hire purchase contracts

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

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

3.14 Government grants

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

3.15 Provisions

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

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

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

3. Accounting policies *(continued)*

3.16 Financial instruments

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

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

Debt instruments are subsequently measured at amortised cost.

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

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

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

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

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

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

3.17 Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

4. Turnover

Turnover arises from:

	2020 £	2019 £
Sale of goods	74,024,639	73,113,131

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

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

	2020 £	2019 £
United Kingdom	73,896,620	72,801,331
Overseas sales	128,019	311,800
	<u>74,024,639</u>	<u>73,113,131</u>

5. Other operating income

	2020 £	2019 £
Government grant income	988,491	—

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020 £	2019 £
Amortisation of intangible assets	—	797
Depreciation of tangible assets	2,148,311	1,918,161
Gains on disposal of tangible assets	(8,475)	(20,000)
Impairment of trade debtors	(2,020)	23,000
Foreign exchange differences	55,661	55,899

7. Auditor's remuneration

	2020 £	2019 £
Fees payable for the audit of the financial statements	26,950	26,950
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	4,950	4,950
Other non-audit services	1,650	1,650
	<u>6,600</u>	<u>6,600</u>

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

8. Staff costs

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

	2020 No.	2019 No.
Production staff	675	654
Administrative staff	106	115
Sales staff	29	28
	<u>810</u>	<u>797</u>

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

	2020 £	2019 £
Wages and salaries	26,654,520	24,360,030
Social security costs	2,494,186	2,371,808
Other pension costs	812,282	766,028
	<u>29,960,988</u>	<u>27,497,866</u>

9. Directors' remuneration

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

	2020 £	2019 £
Remuneration	427,490	198,449
Company contributions to defined contribution pension plans	2,025	-
	<u>429,515</u>	<u>198,449</u>

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

	2020 £	2019 £
Aggregate remuneration	<u>355,948</u>	<u>198,449</u>

Directors' emoluments include £Nil (2019: £Nil) in respect of compensation for loss of office.

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

10. Other interest receivable and similar income

	2020 £	2019 £
Interest on cash and cash equivalents	<u>473</u>	<u>14,600</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Interest on obligations under finance leases and hire purchase contracts	<u>83,525</u>	<u>75,568</u>

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

12. Tax on profit

Major components of tax expense

	2020 £	2019 £
Current tax:		
UK current tax expense	488,672	958,314
Adjustments in respect of prior periods	(29,014)	(3,019)
Total current tax	<u>459,658</u>	<u>955,295</u>
Deferred tax:		
Origination and reversal of timing differences	<u>255,938</u>	<u>267,940</u>
Tax on profit	<u>715,596</u>	<u>1,223,235</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:-

	2020 £	2019 £
Profit on ordinary activities before taxation	<u>3,627,849</u>	<u>6,498,716</u>
Profit on ordinary activities by rate of tax	689,291	1,234,756
Adjustment to tax charge in respect of prior periods	(6,879)	(3,019)
Effect of expenses not deductible for tax purposes	2,785	5,652
Effect of capital allowances and depreciation	-	10,691
Other timing differences	(11,710)	-
Deferred tax not recognised	-	6,655
Adjust opening and closing deferred tax to average rate	<u>42,109</u>	<u>(31,500)</u>
Tax on profit	<u>715,596</u>	<u>1,223,235</u>

13. Dividends

	2020 £	2019 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>-</u>	<u>1,729,609</u>

Clays Ltd

Notes to the financial statements (continued)

Year ended 31 December 2020

14. Intangible assets

	Software £
Cost	
At 1 January 2020 and 31 December 2020	527,777
Amortisation	
At 1 January 2020 and 31 December 2020	527,777
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

15. Tangible assets

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2020	381,000	71,541,377	3,132,212	71,231	75,125,820
Additions	-	1,574,735	108,445	-	1,683,180
At 31 December 2020	<u>381,000</u>	<u>73,116,112</u>	<u>3,240,657</u>	<u>71,231</u>	<u>76,809,000</u>
Depreciation					
At 1 January 2020	90,106	57,663,012	2,975,564	71,231	60,799,913
Charge for the year	54,483	2,018,572	75,256	-	2,148,311
At 31 December 2020	<u>144,589</u>	<u>59,681,584</u>	<u>3,050,820</u>	<u>71,231</u>	<u>62,948,224</u>
Carrying amount					
At 31 December 2020	<u>236,411</u>	<u>13,434,528</u>	<u>189,837</u>	<u>-</u>	<u>13,860,776</u>
At 31 December 2019	<u>290,894</u>	<u>13,878,365</u>	<u>156,648</u>	<u>-</u>	<u>14,325,907</u>

Finance leases and hire purchase contracts

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

	Plant and machinery £
At 31 December 2020	<u>5,361,481</u>
At 31 December 2019	<u>3,976,344</u>

16. Stocks

	2020 £	2019 £
Raw materials and consumables	1,010,118	1,063,675
Work in progress (goods to be sold)	1,330,108	583,082
Engineering stock	1,827,153	1,837,472
	<u>4,167,379</u>	<u>3,484,229</u>

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

17. Debtors

	2020	2019
	£	£
Trade debtors	19,941,987	18,479,170
Amounts owed by group undertakings	–	33,956
Prepayments and accrued income	879,631	776,227
Other debtors	1,115,600	1,043,997
	<u>21,937,218</u>	<u>20,333,350</u>

18. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	14,491,589	13,559,333
Amounts owed to group undertakings	507,542	–
Accruals and deferred income	2,480,949	2,932,712
Corporation tax	488,672	259,295
Social security and other taxes	716,536	595,160
Obligations under finance leases and hire purchase contracts	1,076,976	573,190
Other creditors	304,562	667,755
	<u>20,066,826</u>	<u>18,587,445</u>

The Company operates an invoice discounting facility which is secured by a fixed charge over trade debtors and a floating charge over the assets of the Company. At 31 December 2020 there was a balance owed to the invoice discounting provider of £Nil (31 December 2019: £Nil).

The Company's bankers also hold a fixed and floating charge over the assets of the Company. At 31 December 2020 there was a balance owed to the Company's bankers of £Nil (31 December 2019: £Nil).

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

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

	2020	2019
	£	£
Obligations under finance leases and hire purchase contracts	<u>5,361,481</u>	<u>3,200,143</u>

20. Finance leases and hire purchase contracts

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

	2020	2019
	£	£
Not later than 1 year	1,076,976	573,190
Later than 1 year and not later than 5 years	4,451,588	2,436,514
Later than 5 years	909,893	763,629
	<u>6,438,457</u>	<u>3,773,333</u>

Clays Ltd

Notes to the financial statements (continued)

Year ended 31 December 2020

21. Provisions

	Deferred tax (note 22) £
At 1 January 2020	340,052
Additions	255,938
At 31 December 2020	<u>595,990</u>

22. Deferred tax

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

	2020 £	2019 £
Included in provisions (note 21)	<u>595,990</u>	<u>340,052</u>

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

	2020 £	2019 £
Accelerated capital allowances	595,990	378,317
Deferred tax - other timing difference	—	(38,265)
	<u>595,990</u>	<u>340,052</u>

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £206,228 (2019: £181,381).

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The assets of the plan are held separately from the Company in independently administered funds.

24. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2020 £	2019 £
Recognised in other operating income:		
Government grants recognised directly in income	<u>988,491</u>	<u>—</u>

25. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2,369,327</u>	<u>2,369,327</u>	<u>2,369,327</u>	<u>2,369,327</u>

Clays Ltd

Notes to the financial statements *(continued)*

Year ended 31 December 2020

26. Reserves

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

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

27. Operating leases

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

	2020	2019
	£	£
Not later than 1 year	1,495,009	1,553,440
Later than 1 year and not later than 5 years	3,120,386	4,358,728
Later than 5 years	—	256,667
	<u>4,615,395</u>	<u>6,168,835</u>

28. Events after the end of the reporting period

The ongoing Covid-19 pandemic continues to affect customers and staff. Since 31 December 2020 the United Kingdom has been subject to varying levels of lockdown. While to date the effect of the restrictions has been limited since 31 December 2020, it is presently difficult to accurately predict when and how the current pandemic will be resolved. The directors have been keeping the situation under constant review and will continue to refine the Company's response as new information becomes available and will continue to work with our customers and suppliers.

29. Related party transactions

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

30. Controlling party

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

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