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**Apogee Corporation Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 02853595

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# Apogee Corporation Limited

Report and financial statements  
for the year ended 31 December 2017

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## Directors

J P Collins  
R Stanton-Gleaves  
M K Randall  
G Thomas  
G Downey

## Secretary and registered office

A Pierpoint, Nimbus House, Liphook Way, 20-20 Business Park, Maidstone, ME16 0FZ

## Company number

02853595

## Auditor

RSM UK Audit LLP, Portland, 25 High Street, Crawley, West Sussex, RH10 1BG

# Apogee Corporation Limited

Strategic report  
for the year ended 31 December 2017

## The Company

Apogee Corporation Limited is the main trading subsidiary of Manzana Bidco Limited and carries out the majority of its trading activities within the UK.

## Business review

Apogee's main activity is the supply and maintenance of multi-functional devices, to a range of customers from sole traders to local boroughs and multi-national corporations. In the year under review the Company's activities have continued to expand within the UK.

This was an excellent year for the company, which saw the business grow significantly. Turnover grew by 55.5% to £172.8 million, with EBITDA growing by 38.9% to £30.7 million.

This performance was achieved through both organic sales growth and via strategic acquisitions of complementary businesses along with a continued focus on cost control.

The company completed a number of acquisitions during the period as part of a targeted acquisition strategy, which have enhanced Apogee's footprint in the UK.

On 2 March 2017 the company completed its largest acquisition to date with the purchase of the entire share capital of The Danwood Group Limited, the UK's largest provider of document technology and managed print services. This acquisition represents a major landmark for the group, making Apogee Europe's largest independent provider of managed services for print, document and process technology. The trade and assets of the three main operating companies was subsequently transferred into the company on 30 June 2017.

The Board is continuing its approach to expansion, investing in organic growth by recruiting high quality personnel, increasing sales activities and acquiring businesses which will assist the company in achieving its strategic aims.

The company continues to differentiate its offering by providing its customers with a solution which goes much further than a basic equipment sale, by encompassing their wider print strategy and value added service requirements, offering substantial cost savings. This approach, together with the investments made during the period give the directors confidence that 2018 will see continued growth.

## Key performance indicators

The Directors review and monitor all aspects of the business but consider that turnover, gross margins, adjusted EBITDA, operating margins and headcount are the key performance indicators for the business. The key indicators can be summarised as follows;

	2017	2016	Change
Turnover	£172.8m	£111.1m	55.5%
Gross margin	30.1%	26.7%	12.7%
Adjusted EBITDA	£30.7m	£22.1m	38.9%
EBITDA margin	17.7%	19.9%	(11.1%)
Staff numbers	824	415	409

# Apogee Corporation Limited

Strategic report  
for the year ended 31 December 2017 (*continued*)

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## Principal risks and uncertainties

The market for retail and service of photocopiers remains highly competitive. The company seeks to manage the risk of losing customers by promptly dealing with service requirements, and by maintaining strong relationships with key customers. The strong contracted service revenue base provides a degree of risk mitigation for the company. With the increased business in Continental Europe there is a foreign exchange risk, which is minimised by ensuring that both the revenues and costs associated with these contracts are denominated in euros.

## Environmental responsibilities

One of the key selling messages has been to reduce the cost of a customer's office printing and by reducing unwanted prints, companies are able to achieve substantial savings both in energy costs and wasted resources, which help benefit the environment. Many of the contracts the company enters into require disposal of unwanted or redundant equipment and the company is committed to ensuring that the minimum possible is land filled. Much of the equipment is either recycled or refurbished to be sold abroad.

## On behalf of the board



M K Randall  
Director

25 April 2018

# Apogee Corporation Limited

## Report of the directors for the year ended 31 December 2017

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The directors present their report together with the audited financial statements for the year ended 31 December 2017.

### Results

The income statement is set out on page 7 and shows the profit for the year. No dividends were paid in the year (2016 - Nil).

### Financial risk management

The main financial risk arising from the company's activities is credit risk. This risk is limited as hardware sales to customers are normally financed by leasing companies. The credit risk in respect of service revenue is monitored by the Board of Directors and is not considered to be significant at the balance sheet date.

### Liquidity risk

The company monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a monthly basis and ensures that appropriate funds are available to be drawn upon as necessary in order to finance the company's operations.

### Product risk

The company operates in an ever changing market place due to the constant changes in technology. By supplying equipment from a variety of manufacturers and keeping up to date with their latest innovations it continues to ensure that it is best able to supply and service its customer's requirements.

### Interest rate risk

The company has interest bearing liabilities and assets which includes a bank overdraft bearing interest at variable rates. The only interest bearing assets are cash balances which earn interest at variable rates which are somewhat suppressed in today's environment. The finance department uses financial instruments to manage these risks where appropriate and keeps this policy under review. The company does not use derivative instruments to manage interest rates costs.

### Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

### Employee involvement

The flow of information to staff has been maintained by our staff email bulletins and staff conferences. Members of the management team regularly visit branches and discuss matters of current interest and concern to the business with members of staff.

### Future Developments

The Board is continuing its approach to expansion, investing in organic growth by recruiting high quality personnel, increasing sales activities and acquiring businesses which will assist the company in achieving its strategic aims.

# Apogee Corporation Limited

## Report of the directors for the year ended 31 December 2017 (*continued*)

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### Directors

The directors of the company during the year were:

J P Collins  
R Stanton-Gleaves  
M K Randall  
G Thomas  
G Downey

### Directors' responsibilities

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

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

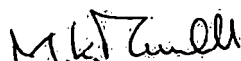
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

RSM UK Audit LLP were appointed during the year and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the board



M K Randall  
Director

25 April 2018

# Apogee Corporation Limited

## Independent auditor's report

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### TO THE MEMBERS OF APOGEE CORPORATION LIMITED

#### Opinion

We have audited the financial statements of Apogee Corporation Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, 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 31 December 2017 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

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.

# Apogee Corporation Limited

## Independent auditor's report (continued)

### 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 has 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 and the directors' report.

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

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

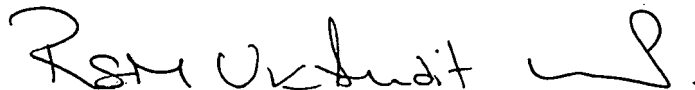
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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.

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.



**Geoff Wightwick (Senior Statutory Auditor)**  
For and on behalf of RSM UK Audit LLP, statutory auditor  
Chartered Accountants, Portland, 25 High Street,  
Crawley, West Sussex, RH10 1BG

26 April 2018



# Apogee Corporation Limited

## Income statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	3	172,830	111,097
Cost of sales		<u>(120,739)</u>	<u>(81,484)</u>
<b>Gross profit</b>		<b>52,091</b>	<b>29,613</b>
Administrative expenses		<u>(39,501)</u>	<u>(14,322)</u>
<b>Adjusted EBITDA</b>		<b>30,677</b>	<b>22,099</b>
Exceptional items	6	(6,668)	(262)
Depreciation	4	(2,003)	(215)
Amortisation and impairment of intangible assets	4	(9,416)	(6,331)
<b>Operating profit</b>	4	<b>12,590</b>	<b>15,291</b>
Amount written off investments	5	(55,000)	(10,127)
Other income	5	55,000	10,127
<b>Profit on ordinary activities before interest and similar charges</b>		<b>12,590</b>	<b>15,291</b>
Interest payable and similar charges	9	(96)	(117)
<b>Profit on ordinary activities before taxation</b>		<b>12,494</b>	<b>15,174</b>
Taxation on profit from ordinary activities	10	1,065	(928)
<b>Profit and total comprehensive income for the year</b>		<b>13,559</b>	<b>14,246</b>

All amounts relate to continuing activities.

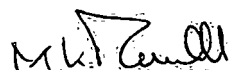
The notes on pages 10 to 25 form part of these financial statements.

# Apogee Corporation Limited

## Balance sheet at 31 December 2017

Company number 02853595	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Intangible assets	11	80,992		34,044	
Tangible assets	12	2,891		1,285	
Fixed asset investments	13	1,516		1,201	
		<u>          </u>	<b>85,399</b>	<u>          </u>	<b>36,530</b>
<b>Current assets</b>					
Stocks	14	30,856		13,544	
Debtors	15	77,973		32,724	
Cash at bank and in hand		8,267		6,591	
		<u>          </u>		<u>          </u>	
		<b>117,096</b>		<b>52,859</b>	
<b>Creditors: amounts falling due within one year</b>	16	<b>(109,498)</b>		<b>(61,483)</b>	
		<u>          </u>		<u>          </u>	
<b>Net current assets/(liabilities)</b>			<b>7,598</b>		<b>(8,624)</b>
<b>Total assets less current liabilities</b>			<u><b>92,997</b></u>		<u><b>27,906</b></u>
<b>Creditors: amounts falling due after more than one year</b>	17		<b>(9,153)</b>		<b>(1,974)</b>
<b>Provisions for liabilities</b>	18		<b>(7,255)</b>		<b>(3,432)</b>
			<u>          </u>		<u>          </u>
<b>Net assets</b>			<u><b>76,589</b></u>		<u><b>22,500</b></u>
<b>Capital and reserves</b>					
Called up share capital	20		40,530		-
Profit and loss account			36,059		22,500
			<u>          </u>		<u>          </u>
<b>Shareholders' funds</b>			<u><b>76,589</b></u>		<u><b>22,500</b></u>

These financial statements were approved by the Board and authorised for issue on 25 April 2018 and were signed on their behalf by:



M K Randall  
Director

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

# Apogee Corporation Limited

## Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Profit and loss Account £'000	Total Equity £'000
<b>1 January 2017</b>	-	22,500	22,500
Profit and total comprehensive income for the year		13,559	13,559
Issue of shares	40,530	-	40,530
<b>31 December 2017</b>	<b>40,530</b>	<b>36,059</b>	<b>76,589</b>
<b>1 January 2016</b>	-	8,254	8,254
Profit and total comprehensive income for the year	-	14,246	14,246
<b>31 December 2016</b>	-	<b>22,500</b>	<b>22,500</b>

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

# Apogee Corporation Limited

## Notes forming part of the financial statements for the year ended 31 December 2017

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### 1 Accounting policies

Apogee Corporation Limited is a company domiciled in the UK and incorporated in England & Wales. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The following principal accounting policies have been applied:

#### *Basis of preparation*

The financial statements have been prepared in accordance with the historical cost convention.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 and 2, and the company's policies for financial risk management are set out in the Report of the Directors on page 3.

The company has a base of long-term contracts with a large number of customers and suppliers across different geographic areas and industries and the directors believe the company is well placed to manage its business risks successfully.

For these reasons the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and thus have adopted the going concern basis in the preparation of the financial statements.

#### *Consolidated financial statements*

These financial statements contain information about Apogee Corporation Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the group accounts of a larger group.

#### *Cash flow statement*

The company has taken advantage of the 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', not to prepare a cash flow statement on the grounds that Apogee Corporation Limited is a subsidiary of Manzana Bidco Limited which prepared a cash flow statement.

#### *Goodwill*

Goodwill arising on an acquisition of a trade or subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of between 5 and 10 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

# Apogee Corporation Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### 1 Accounting policies (continued)

#### *Intangibles acquired as part of a business combination*

Intangibles recognised separately from goodwill acquired as part of a business combination, including customer relationship assets, are recognised at fair value and are subsequently amortised on a straight-line basis over their useful economic life of 10 years.

#### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover for goods is recognised when the risks and rewards of ownership have passed to the customer, which is normally when the goods are delivered, and is recognised at the fair value of the consideration receivable. Service income is recognised over the length of the contract.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	over the length of the lease
Motor vehicles	-	25% per annum on cost
Fixtures, fittings and office equipment	-	15% -33% per annum on cost
Equipment leased to customers	-	20% per annum on cost

#### *Investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

#### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

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## 1 Accounting policies (*continued*)

### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the income statement.

### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

### *Financial assets*

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost using the effective interest method.

### *Provision for liabilities*

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

### *Reserves*

The company's reserves are as follows:

- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (continued)

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## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### *Other key sources of estimation uncertainty*

- *Intangible fixed assets (see note 11)*

Intangible fixed assets are amortised over their estimated useful economic life. Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

- *Tangible fixed assets (see note 12)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock in field (see note 14)*

Stock in field is the value of unutilised toner which has been supplied to customers and residing at customer sites, either in machines or in storage, to be used in future periods. Toner is valued based on an estimate of one complete set of bottles per customer machine.

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (continued)

## 3 Turnover

Turnover is wholly attributable to the principal activity of the company.

	2017	2016
	£'000	£'000
Analysis of turnover by country of destination:		
United Kingdom	168,490	110,753
Rest of Europe	4,108	344
Rest of the World	232	-
	172,830	111,097
Analysis of turnover by income stream:		
	2017	2016
	£'000	£'000
Goods	105,322	70,084
Services	67,508	41,013
	172,830	111,097

## 4 Operating profit

This has been arrived at after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation of tangible fixed assets	2,003	215
Impairment of acquired brand	-	120
Amortisation of intangible assets	9,416	6,211
Profit on sale of fixed assets	(121)	-
Operating lease expense	3,036	1,702
Exchange differences	59	12
Auditors' remuneration:		
- Fees payable to the company's auditor for the audit of the company's annual accounts	91	98
- Other services	-	16
	91	98

## 5 Amounts written off investments and other income

Following the acquisitions described in note 22 and the subsequent purchase of the trade and assets, the company has recognised a provision against its investment in subsidiary undertakings of £55,000,000.

In addition amounts owed to acquired companies by the company amounting to £55,000,000 were agreed to be waived.



# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

6 Exceptional items	2017 £'000	2016 £'000
Employee severance costs	2,367	-
Reorganisation and integration costs	473	-
Onerous property lease provision	2,863	-
Dilapidations provision	218	-
Legal & professional fees	747	262
	6,668	262

The exceptional costs in the year relate to the acquisition, reorganisation and integration of The Danwood Group Limited during the year. Following the acquisition there was a significant reduction in headcount, a rationalisation of the property portfolio and an integration of financial and commercial IT systems.

Legal costs in the prior year related to those incurred in respect of a claim made against a customer for breach of contract.

7 Employees	2017 £'000	2016 £'000
Staff costs (including directors) consist of:		
Wages and salaries	38,428	18,648
Social security costs	2,850	1,992
Other pension costs	280	121
	41,558	20,761

The average number of employees, including executive directors, employed by the company during the year was:

	2017	2016
Sales and Distribution	660	356
Administration	164	59
	824	415

8 Directors' remuneration	2017 £'000	2016 £'000
Directors' emoluments	1,173	1,209
Company contributions to money purchase pension scheme	1	-
	1,174	1,209

The total amount payable to the highest paid director in respect of emoluments was £350,000 (2016 - £355,000). Company pension contributions of £nil (2016: £nil) were made to a money purchase scheme on their behalf. During the year there was one director whom the company made pension contributions (2016: none).

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

<b>9</b>	<b>Interest payable and similar charges</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
	Finance leases and hire purchase contracts	6	-
	Other interest payable and similar charges	90	117
		96	117
		96	117
<b>10</b>	<b>Taxation on profit from ordinary activities</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
	<i>UK Corporation tax</i>		
	Current tax on profits of the year	1,781	764
	Adjustment in respect of previous periods	(245)	489
		1,536	1,253
	Deferred tax		
	Origination and reversal of timing differences	(2,601)	(325)
		(1,065)	928
	Taxation on profit of ordinary activities	(1,065)	928

The tax assessed for the year is lower (2016 - lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Profit on ordinary activities before tax	12,494	15,174
	12,494	15,174
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	2,405	3,035
Effects of:		
Expenses not deductible for tax purposes	1,473	1,191
Group relief claimed	(2,249)	(624)
Deferred tax not previously recognised	(2,572)	-
Share scheme deduction	-	(2,846)
Change in tax rates	123	(317)
Adjustment to tax charge in respect of previous periods	(245)	489
	(1,065)	928
Current tax (credit)/charge for the year	(1,065)	928

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 *(continued)*

11 Intangible fixed assets	Customer relationships £'000	Purchased Goodwill £'000	Total £'000
<i>Cost</i>			
At 1 January 2017	19,376	40,865	60,241
Fair value adjustment	-	(12)	(12)
Acquisition of operations	-	56,376	56,376
	<hr/>	<hr/>	<hr/>
At 31 December 2017	<b>19,376</b>	<b>97,229</b>	<b>116,605</b>
<i>Amortisation</i>			
At 1 January 2017	2,213	23,984	26,197
Provided for the year	1,938	7,478	9,416
	<hr/>	<hr/>	<hr/>
At 31 December 2017	<b>4,151</b>	<b>31,462</b>	<b>35,613</b>
<i>Net book value</i>			
At 31 December 2017	<b>15,225</b>	<b>65,767</b>	<b>80,992</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<b>17,163</b>	<b>16,881</b>	<b>34,044</b>
	<hr/>	<hr/>	<hr/>

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

## 12 Tangible assets

	Leasehold improvements £'000	Motor vehicles £'000	Equipment leased to Customers £'000	Fixtures, fittings and office equipment £'000	Total £'000
<i>Cost</i>					
At 1 January 2017	848	540	-	2,427	3,815
Additions	236	-	-	207	443
Acquisition of operations	628	-	1,331	1,394	3,353
Disposals	(228)	(324)	-	(106)	(658)
	<u>1,484</u>	<u>216</u>	<u>1,331</u>	<u>3,922</u>	<u>6,953</u>
At 31 December 2017					
<i>Depreciation</i>					
At 1 January 2017	613	416	-	1,501	2,530
Provided for the year	321	79	826	777	2,003
Disposals	(47)	(324)	-	(100)	(471)
	<u>887</u>	<u>171</u>	<u>826</u>	<u>2,178</u>	<u>4,062</u>
At 31 December 2017					
<i>Net book value</i>					
At 31 December 2017	<u>597</u>	<u>45</u>	<u>505</u>	<u>1,744</u>	<u>2,891</u>
At 31 December 2016	<u>235</u>	<u>124</u>	<u>-</u>	<u>926</u>	<u>1,285</u>

## 13 Fixed asset investments

	Subsidiary Undertakings £'000
<i>Cost</i>	
At 1 January 2017	25,893
Additions	55,315
	<u>81,208</u>
At 31 December 2017	
<i>Provisions</i>	
At 1 January 2017	24,692
Impairment	55,000
	<u>79,692</u>
At 31 December 2017	
<i>Net book value</i>	
At 31 December 2017	<u>1,516</u>
At 31 December 2016	<u>1,201</u>

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 *(continued)*

## 13 Fixed asset investments *(continued)*

### *Subsidiary undertakings*

The undertakings in which the Company had an interest at the period end are as follows:

Name	Registered Office	Proportion of Voting rights
Apogee Rentals Limited*	**	100%
Office Perfections Limited	**	100%
F Smith & Co. (Office Equipment) Limited	**	100%
Digipro Limited *	**	100%
Top 4 Office Limited*	**	100%
Xera-Logic Group Limited	**	100%
Xact Document Solutions Limited*	**	100%
Positive Digital Solutions Limited	**	100%
City Docs Limited	**	100%
City Docs Solutions Limited	**	100%
Mask Documents Limited	**	100%
Willow Graphics Limited	**	100%
Direct Business Systems (Scotland) Limited	17 Shairps Business Park, Houstoun Road, West Lothian, Scotland	100%
Konx Wales Limited	**	100%
The Danwood Group Limited	**	100%
Printware Limited*	**	100%
Phoenix Office Supplies Limited*	**	100%
Apogee Corporation (Jersey) Limited*	94 Halkett Place, St Helier, Jersey	100%

\* Undertakings held indirectly by the Company

\*\*Registered address is Nimbus House, Liphook Way, 20/20 Business Park, Maidstone, Kent.

## 14 Stocks

	2017 £'000	2016 £'000
Finished goods and goods for resale	<u>30,856</u>	<u>13,544</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 15 Debtors

	2017 £'000	2016 £'000
Trade debtors	56,845	28,918
Amounts owed by group undertakings	9,074	1,084
Prepayments and accrued income	5,761	2,258
Other debtors	1,633	464
Deferred taxation	4,660	-
	<u>77,973</u>	<u>32,724</u>

All amounts shown under debtors fall due for payment within one year except:

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

## 15 Debtors (*continued*)

<i>Deferred taxation</i>	<b>£'000</b>	
At 1 January 2017		-
Acquisition of operations		2,903
Credited to profit or loss		1,757
		4,660
At 31 December 2017		4,660
Deferred tax consists of:		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	4,660	-
	4,660	-
Deferred taxation to be realised:		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	175	-
In two to five years	4,485	-
	4,660	-
	4,660	-

## 16 Creditors: amounts falling due within one year

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	39,512	25,305
Other loans	3,394	1,042
Amounts owed to group undertakings	21,135	22,379
Corporation tax	781	3,445
Other taxation and social security	8,446	4,230
Obligations under finance lease and hire purchase contracts	101	113
Other creditors	1,758	-
Deferred consideration	19,350	2,520
Accruals and deferred income	15,021	2,449
	109,498	61,483
	109,498	61,483

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

17 Creditors: amounts falling due after more than one year	2017 £'000	2016 £'000
Other loans	8,688	1,974
Accruals and deferred income	459	-
Obligations under finance lease and hire purchase contracts	6	-
	9,153	1,974

*Maturity of debt:*

	Other loans 2017 £'000	Finance leases 2017 £'000	Other loans 2016 £'000	Finance leases 2016 £'000
In one year or less, or on demand	3,394	101	1,042	113
In more than one year but less than two years	3,624	6	1,974	-
In more than two year but less than five years	5,064	-	-	-
	8,688	6	1,974	-

Included within other loans are amounts totalling £7,719,000 (2016: £2,334,000) which are secured by way of fixed and floating charges over the group's present and future assets.

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

## 18 Provisions for liabilities

	Deferred taxation £'000	Dilapidations £'000	Onerous lease £'000	Other provisions £'000	Total £'000
At 1 January 2017	3,432	-	-	-	3,432
Charged to profit or loss	(844)	218	2,863	-	2,237
Acquisition of operations	-	931	154	1,643	2,728
Utilised in year	-	(75)	(380)	(687)	(1,142)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	<b>2,588</b>	<b>1,074</b>	<b>2,637</b>	<b>956</b>	<b>7,255</b>

### *Deferred taxation*

The company's deferred taxation provision relates entirely to the recognition of intangible assets in respect of business combinations. The provision is being released to the profit and loss account over the life of the underlying intangible asset.

### *Property Provisions*

The company recognises a provision for future dilapidation costs that may be incurred upon exit of leased properties. The dilapidation provision is calculated based on an estimated cost per square foot and apportioned across the life of the lease. It is expected that the provision required will change as the company enters and exits leased properties. At the financial period end the company's property leases extend up to April 2025, over which time the present and any future provisions will be utilised.

The company also maintains a provision for the costs related to onerous property leases. These costs represent the total costs for the leased properties until termination, net of any expected income from sub-letting. The latest date of expected termination occurs in June 2023.

### *Other Provisions*

Following the acquisition of The Danwood Group Limited during the year the company acquired provisions totalling £1,643,000 for potential remediation of contracts with former Danwood customers and funders. During the period no further provision was made, while £687,000 of the provisions was utilised. At 31 December 2017 the provisions amounted to £956,000. Due to the complex nature of these disputes the precise timing of resolution is unclear however it is likely that the majority will be resolved within the next 2 years.



# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (*continued*)

## 19 Financial instruments

The company's financial instruments may be analysed as follows:

	2017 £'000	2016 £'000
<b>Financial assets</b>		
Measured at amortised cost	79,729	38,246
	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>		
Measured at amortised cost	99,067	55,204
	<u>          </u>	<u>          </u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income and amounts owed from group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, other loans, trade creditors, other creditors and amounts owed to group undertakings.

## 20 Share capital

	2017 £'000	2016 £'000
<i>Allotted, called up and fully paid</i>		
40,530,146 (2016: 146) Ordinary shares of £1 each	40,530	-
	<u>          </u>	<u>          </u>

On 2 March 2017, the company issued 40,530,000 Ordinary shares in cash at a subscription price of £1 each.

## 21 Contingent liabilities

The company has guaranteed bank borrowings of its parent undertaking. At the year end the liabilities covered by these guarantees totalled £118,500,000 (2016 - £76,500,000).

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debts in this connection. As at 31 December 2017 the group VAT balances amounted to a net creditor of £7,395,000 and this is reflected in the respective companies' balance sheets at the year end.

# Apogee Corporation Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2017 (continued)**

## 22 Acquisitions

On 2 March 2017 the company acquired the entire share capital of The Danwood Group Limited and its subsidiary undertakings, Printware Limited, Phoenix Office Supplies Limited and Danwood Jersey Limited for a total consideration of £55,315,000 including deferred consideration of £17,000,000 and acquisition costs of £1,237,000. The transaction was undertaken as part of the company's targeted acquisition strategy to increase its presence in the UK.

On 30 June 2017 the trade and assets of The Danwood Group Limited, Printware Limited and Phoenix Office Supplies Limited were acquired by the company for a total consideration of £55,000,000.

In calculating the goodwill arising on the acquisition, the fair values of the net assets have been assessed and are summarised in the following table:

	Book value £'000	Policy alignment £'000	Total £'000
Tangible fixed assets	3,353	-	3,353
Stocks	2,677	9,825	12,502
Debtors	20,834	-	20,834
Corporation tax	663	-	663
Deferred taxation	2,903	-	2,903
Bank & cash	1,929	-	1,929
Creditors due within one year	(40,110)	-	(40,110)
Creditors due after one year	(700)	-	(700)
Provisions for liabilities	(2,728)	-	(2,728)
	(11,179)	9,825	(1,354)
Net assets			(1,354)
Consideration			55,000
Goodwill			56,354

The above policy alignment was required to account for stock in field in line with the company's accounting policy.

In addition the company acquired the trade and assets of Clarke Office Solutions Limited, which resulted in the recognition of goodwill amounting to £22,000.

# Apogee Corporation Limited

Notes forming part of the financial statements  
for the year ended 31 December 2017 (continued)

## 23 Commitments under operating leases

As at 31 December 2017, the company had future minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2017 £'000	Plant and machinery 2017 £'000	Land and Buildings 2016 £'000	Plant and machinery 2016 £'000
Operating leases which expire:				
No later than one year	2,460	1,772	939	587
Later than one year and not later than five years	8,605	1,160	3,718	408
Later than five years	2,868	-	1,773	-
	<u>13,933</u>	<u>2,932</u>	<u>6,430</u>	<u>995</u>

## 24 Related party disclosures

The company is a wholly owned subsidiary of Manzana Bidco Limited and has taken advantage of the exemption conferred by FRS 102, section 33.1 not to disclose transactions with other wholly owned subsidiaries within the group.

Key management of the company are considered to be the directors. The total aggregate remuneration of the directors was £1,334,000.

During the period the group purchased goods and services totalling £47,812 from companies in which Equistone Partners Europe Limited has funds invested. At the balance sheet date £nil was outstanding.

## 25 Ultimate parent company

The company is a subsidiary of Apogee Group Limited which is its immediate parent company, its ultimate parent company being Manzana Holdings Limited, registered in Jersey.

The largest group in which the results of the company are consolidated is that headed by Manzana Bidco Limited and the smallest group headed by Apogee Group Limited, both companies are incorporated in England and Wales. The consolidated accounts of Manzana Bidco Limited and Apogee Group Limited are available to the public and may be obtained from Companies House.