precisioncolourprinting limited
PASSIONATE ABOUT THE POWER OF PRINT

Section 172 Statement
For the Period Ended 28 December 2019

During the year a number of key decisions have been made by the directors which have been reached through engaging with the relevant stakeholders and fully understanding the long-term implications. The directors are fully briefed through the production of detailed board papers which are distributed well in advance of the Board Meetings.

The Directors reviewed the CID facility that had been used by the company since June 2013. The flexible nature of the facility, its relative low cost of borrowing and the high standards of business conduct evidenced in operating the receivables agreement meant that the Directors agreed to renew the £6m facility and look to extend its use where possible.

The facility has been used significantly since the revised receivable agreement was put in place. The relevant employees who utilise the facility have had the necessary training and support and the additional processes are now incorporated seamlessly into the day to day operations of the business. As a result of receiving £4million from Claverley Group Limited as a part repayment of inter group in October 2019, the facility has not been required. The flexible nature of the facility has meant that no interest charges have since been incurred and that the company still has access to the facility to fund future investment in the group as and when required. During 2019 the executive team explored options to increase automation in the business to improve operational efficiencies and reduce costs. An area that was identified was that of mailing.

In executing the plan for continued cost control and pursuit of operating efficiencies the directors identified opportunities to enhance the automation of direct mailing. Mailing line operators and engineers were engaged to try to identify improvements. This consultation led to the decision being made to replace the two existing mailing lines, that were over 15 years old, with one new machine. The new machine would deliver greater operational performance, reliability and its output would exceed the two existing machines combined. Installing the new machine would also enable the company to recruit additional employees as the demand loading for the machine is more predictable. Therefore, previous reliance on flexible third-party contract labour would reduce and some of these employees would be given greater job security and enhanced employment terms.

The project team extensively researched the supplier market before identifying its chosen supplier, who is a market leader in providing mailing line equipment. After several meetings at both companies premises a detailed machine specification was produced that met all the operational criteria. This included the ability to wrap customer products in paper wrapping as well as the more traditional poly wrapping and therefore enabling the company to offer its customers a more environmentally friendly solution. Engagement with customers on utilising FSC sourced paper for wrapping has been positive to date and the company expect a significant uptake.

Finally, directors gave approval to the capital expenditure on the basis that it was funded via an operating lease. The detailed business case presented to the directors clearly showed that the operational and labour savings would more than cover the operating lease financing costs. Engagement with Lloyds Commercial Finance took place and due to the company's long-standing relationship a very competitive financing solution was agreed. The financing provided the shareholders with value for money and mitigated the requirement for a significant capital cash outlay.

This report was approved by the board on Tuesday 21 July 2020 and signed on its behalf.

N C Denning - Finance Director