

Registration number: SC076319

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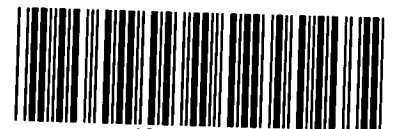
# Markon Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2014

Baker Tilly UK Audit LLP  
Chartered Accountants and Statutory Auditor  
52 - 54 Queen's Road  
Aberdeen  
AB15 4YE

WEDNESDAY



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**Markon Limited**  
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**Markon Limited**  
**Strategic Report for the Year Ended 31 December 2014**

The directors present their strategic report for the year ended 31 December 2014.

**Business review**

*Fair review of the business*

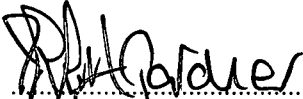
The company has reported turnover in 2014 of £10.56m which is a 3.5% reduction on 2013. The operating divisions have performed reasonably, but performance is still hampered by general market conditions and pressure on margins. The company's gross margin has increased by 1% to 38% which reflects operating efficiencies. Overheads have fallen by 3.5% on 2013, largely as a result of reduced fleet costs. The company has made a profit before tax for the year of £210,146 (2013 - £132,308), which shows an overall improvement, but is still less than the directors expectations.

The company has made an encouraging start to 2015 with levels of turnover and profitability maintained in the first half of the year. The directors expect that this position will continue for the remainder of 2015.

*Principal risks and uncertainties*

The principal risk facing the business continues to be the level of activity in the construction sector which is below historic levels due to restraints on public sector spending and liquidity issues in the private sector. There are also cost pressures, principally from the increasing price of hydrocarbons and energy, which are pressurising margins. The company is well placed to meet these challenges, with a strong management team in place and the support of the Leiths (Scotland) Limited group. Market conditions continue to be challenging.

Approved by the Board on 25/09/15 and signed on its behalf by:

  
.....  
I R L M Gardner  
Director

**Markon Limited**  
**Directors' Report for the Year Ended 31 December 2014**

The directors present their report and the financial statements for the year ended 31 December 2014.

**Directors of the company**

The directors who held office during the year were as follows:

I R L M Gardner

I A Leith

S Darling

S Yuill

**Financial instruments**

*Objectives and policies*

Financial management policies are set by Leiths (Scotland) Limited, for the group. The group strategy is to provide a complete service to the construction and civil engineering industry. The group therefore looks to secure the resources required for the future development of the business and to expand its capabilities, through the development and purchase of complementary activities. Markon Limited as well as working with the other group companies on construction and civil engineering projects, is developing and expanding the markets for road marking, surface sealant, planing and traffic management services.

Group banking facilities in place, are a combination of term loans and overdraft facilities, sufficient to provide working capital, and with funds available, if required, for major purchases. In addition, the group finances major plant purchases by leasing or hire purchase agreements. Working capital requirements are assessed through the preparation of projections and monitored through the preparation of monthly management accounts for the group, and each group company.

Markon Limited, has agreed a level of usage of the group banking facilities with its parent company, believed to be sufficient for working capital requirements. Additional resources are available, if required. The industry is very competitive, however the company believes that the resources available to it will enable it to continue to compete successfully.

**Going concern**

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

Further details regarding the operation of the going concern basis can be found in the accounting policies in the notes to the financial statements.

**Markon Limited**

**Directors' Report for the Year Ended 31 December 2014**

..... *continued*

**Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Approved by the Board on 25/09/15 and signed on its behalf by:

  
.....  
I R L M Gardner  
Director

## **Markon Limited**

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

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

## **Independent Auditor's Report to the Shareholder of Markon Limited**

We have audited the financial statements of Markon Limited for the year ended 31 December 2014, set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder 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 shareholder 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 shareholder for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities (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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's Website at <http://www.frc.org.uk/auditscopeukprivate>.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

**Independent Auditor's Report to the Shareholder of  
Markon Limited**

..... *continued*

**Matters on which we are required to report by exception**

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

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

*Baker Tilly UK Audit LLP*

.....  
Cameron Bruce (Senior Statutory Auditor)

For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor

Chartered Accountants  
52 - 54 Queen's Road  
Aberdeen  
AB15 4YE

Date: *25 September 2015*



**Markon Limited**  
**Profit and Loss Account for the Year Ended 31 December 2014**

	Note	2014 £	2013 £
Turnover		10,555,055	10,938,566
Cost of sales		<u>(6,545,350)</u>	<u>(6,855,464)</u>
Gross profit		4,009,705	4,083,102
Administrative expenses		<u>(3,784,576)</u>	<u>(3,923,366)</u>
Operating profit	2	225,129	159,736
Other interest receivable and similar income	5	970	-
Interest payable and similar charges	6	<u>(15,953)</u>	<u>(27,428)</u>
Profit on ordinary activities before taxation		210,146	132,308
Tax on profit on ordinary activities	7	<u>(62,881)</u>	<u>(13,255)</u>
Profit for the financial year	14	<u><u>147,265</u></u>	<u><u>119,053</u></u>

Turnover and operating profit derive wholly from continuing operations.

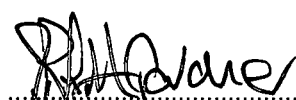
The company has no recognised gains or losses for the year other than the results above.

The notes on pages 9 to 20 form an integral part of these financial statements.

**Markon Limited**  
**(Registration number: SC076319)**  
**Balance Sheet at 31 December 2014**

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible fixed assets	8	3,879,270	3,920,396
<b>Current assets</b>			
Stocks	9	142,066	158,385
Debtors	10	2,745,481	2,777,416
Cash at bank and in hand		244	2,156
		2,887,791	2,937,957
Creditors: Amounts falling due within one year	11	(4,278,407)	(4,535,120)
Net current liabilities		(1,390,616)	(1,597,163)
Total assets less current liabilities		2,488,654	2,323,233
Creditors: Amounts falling due after more than one year	12	(210,617)	(192,461)
Net assets		2,278,037	2,130,772
<b>Capital and reserves</b>			
Called up share capital	13	26,000	26,000
Profit and loss account	14	2,252,037	2,104,772
Shareholders' funds	15	2,278,037	2,130,772

Approved and authorised for issue by the Board on 25/09/15 and signed on its behalf by:

  
 .....  
 I R L M Gardner  
 Director

The notes on pages 9 to 20 form an integral part of these financial statements.

## Markon Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014

#### 1 Accounting policies

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention.

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

##### **Going concern**

The strategic report and the directors' report on pages 1 to 3 outline the company's business activities, together with the factors likely to affect its future development, performance and position, the company's principal risks and uncertainties and details of its financial instruments.

As explained in the directors' report, financial management policies are set at a group level. The group meets its day to day working capital requirements through overdraft facilities and meets longer term requirements through loan facilities, and, where applicable, hire purchase and leasing. After the year end, group management agreed renewed facilities with the group's bankers, appropriate to supporting the group companies in the coming years.

As is the nature of the industry, there are however continued uncertainties regarding the level of demand for the company's products and services and competitive pricing issues. The company has increased profitability during the six months to June 2015 and the directors are not aware of reasons why the company should not continue to trade profitably and generate positive cash flows.

Group management has prepared projections, taking account of reasonably possible changes in trading performance, which show that the group and the company should be able to operate within the level of the current facilities. In addition the group holds valuable interests in land, which underpin its operations. Group management has no reason to believe that the banking facilities will not continue to be available on acceptable terms.

The parent company director has indicated continued support for the company. On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

##### **Turnover**

Turnover represents revenue recognised in the accounts. Revenue is recognised when the company fulfils its contractual obligations to customers by supplying goods and services and excludes value added tax.

Road marking sales are based on measurement and are recognised and profits are taken when invoiced or, if appropriate, when application is made for payment.

##### **Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

## Markon Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

<b>Asset class</b>	<b>Depreciation method and rate</b>
Heritable buildings	2 - 20% straight line
Plant and machinery	3 to 10 years straight line

Heritable land is not depreciated.

#### **Stocks**

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

#### **Deferred tax**

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS 19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### **Hire purchase and leasing**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Pensions**

The parent company, Leiths (Scotland) Limited, operates a defined contribution pension scheme in which employees of this company are eligible to join. The assets of the Leiths (Scotland) Limited scheme are held separately from those of the group companies. Markon Limited also makes contributions on behalf of certain employees into personal pension schemes. The annual contributions are charged to the profit and loss account.

## Markon Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

#### 2 Operating profit

Operating profit is stated after charging:

	2014 £	2013 £
Operating leases - plant and machinery	114,906	115,903
Auditor's remuneration - The audit of the company's annual accounts	15,500	17,500
Loss on sale of tangible fixed assets	644	4,315
Depreciation of owned assets	373,236	395,686
Depreciation of assets held under hire purchase agreements	<u>272,551</u>	<u>323,781</u>

#### 3 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2014 No.	2013 No.
Administration and support	15	13
Production	90	88
Sales	<u>5</u>	<u>4</u>
	<u>110</u>	<u>105</u>

The aggregate payroll costs were as follows:

	2014 £	2013 £
Wages and salaries	3,773,232	3,542,378
Social security costs	408,839	364,627
Staff pensions	<u>42,441</u>	<u>38,947</u>
	<u>4,224,512</u>	<u>3,945,952</u>

**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**4 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Remuneration (including benefits in kind)	271,890	226,134
Company contributions paid to money purchase schemes	<u>19,200</u>	<u>18,550</u>
	<u><u>291,090</u></u>	<u><u>244,684</u></u>

During the year the number of directors who were accruing benefits was as follows:

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Remuneration	88,250	85,542
Company contributions to money purchase pension schemes	<u>7,925</u>	<u>7,654</u>

**5 Other interest receivable and similar income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Other interest receivable	<u>970</u>	<u>-</u>

**6 Interest payable and similar charges**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Finance charges	<u>15,953</u>	<u>27,428</u>
	<u><u>15,953</u></u>	<u><u>27,428</u></u>

**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**7 Taxation**

**Tax on profit on ordinary activities**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Corporation tax charge	83,253	6,667
Adjustments in respect of previous years	<u>-</u>	<u>(9,470)</u>
UK Corporation tax	<u>83,253</u>	<u>(2,803)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20,372)	1,576
Deferred tax adjustment relating to previous years	<u>-</u>	<u>14,482</u>
Total deferred tax	<u>(20,372)</u>	<u>16,058</u>
Total tax on profit on ordinary activities	<u><u>62,881</u></u>	<u><u>13,255</u></u>

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 21.49% (2013 - 20%).

The differences are reconciled below:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<u>210,146</u>	<u>132,308</u>
Corporation tax at standard rate	45,160	26,462
Capital allowances for period less than depreciation	20,707	(746)
Other short term differences	9,051	1,691
Fixed asset differences	5,700	5,226
Disallowable expenses	2,635	2,164
Adjustments in respect of previous years	-	(9,470)
Group relief claimed	<u>-</u>	<u>(28,130)</u>
Total current tax	<u><u>83,253</u></u>	<u><u>(2,803)</u></u>

**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**8 Tangible fixed assets**

	<b>Heritable Property £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2014	2,763,521	5,775,923	8,539,444
Additions	28,586	582,053	610,639
Disposals	<u>-</u>	<u>(107,275)</u>	<u>(107,275)</u>
At 31 December 2014	<u>2,792,107</u>	<u>6,250,701</u>	<u>9,042,808</u>
<b>Depreciation</b>			
At 1 January 2014	112,887	4,506,161	4,619,048
Charge for the year	58,362	587,426	645,788
Eliminated on disposals	<u>-</u>	<u>(101,298)</u>	<u>(101,298)</u>
At 31 December 2014	<u>171,249</u>	<u>4,992,289</u>	<u>5,163,538</u>
<b>Net book value</b>			
At 31 December 2014	<u>2,620,858</u>	<u>1,258,412</u>	<u>3,879,270</u>
At 31 December 2013	<u>2,650,634</u>	<u>1,269,762</u>	<u>3,920,396</u>

**Leased assets**

Included within the net book value of tangible fixed assets is £739,215 (2013 - £577,668) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £272,551 (2013 - £323,781).

**9 Stocks**

	<b>2014 £</b>	<b>2013 £</b>
Stocks	<u>142,066</u>	<u>158,385</u>



**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**10 Debtors**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,346,220	1,353,531
Amounts owed by group undertakings	139,444	2,915
Other debtors	967,431	1,158,662
Deferred tax	125,177	104,805
Prepayments and accrued income	<u>167,209</u>	<u>157,503</u>
	<u><b>2,745,481</b></u>	<u><b>2,777,416</b></u>

Included within other debtors are amounts recoverable on contracts of £755,121 (2013 - £821,503).

**Deferred tax**

The movement in the deferred tax asset in the year is as follows:

	<b>£</b>
At 1 January 2014	104,805
Deferred tax credited to the profit and loss account	<u>20,372</u>
At 31 December 2014	<u><b>125,177</b></u>

**Analysis of deferred tax**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Difference between accumulated depreciation and capital allowances	123,619	104,805
Other timing differences	<u>1,558</u>	<u>-</u>
	<u><b>125,177</b></u>	<u><b>104,805</b></u>

**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**11 Creditors: Amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade creditors	606,381	860,026
Bank overdraft	2,363,843	2,500,655
Obligations under hire purchase agreements	190,496	266,759
Amounts owed to group undertakings	482,274	281,168
Corporation tax	49,653	-
Other taxes and social security	443,441	524,090
Other creditors	8,177	33,843
Accruals and deferred income	<u>134,142</u>	<u>68,579</u>
	<u><u>4,278,407</u></u>	<u><u>4,535,120</u></u>

The bank overdraft is secured by a cross guarantee and a charge over the land and buildings held within Markon Limited. There are also assets and charges over other group companies held by the bank.

Hire purchase creditors are secured over the related assets.

**12 Creditors: Amounts falling due after more than one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Obligations under hire purchase agreements	<u>210,617</u>	<u>192,461</u>

Hire purchase creditors are secured over the related assets.

**Markon Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2014**

..... *continued*

**Obligations under hire purchase agreements**

**Amounts repayable:**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
In one year or less on demand	190,496	266,759
Between one and two years	210,617	183,772
Between two and five years	<u>-</u>	<u>8,689</u>
	<u><u>401,113</u></u>	<u><u>459,220</u></u>

**13 Share capital**

**Allotted, called up and fully paid shares**

	<b>2014</b>		<b>2013</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>

**14 Reserves**

	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2014	2,104,772	2,104,772
Profit for the year	<u>147,265</u>	<u>147,265</u>
At 31 December 2014	<u><u>2,252,037</u></u>	<u><u>2,252,037</u></u>

## Markon Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

#### 15 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit attributable to the members of the company	<u>147,265</u>	<u>119,053</u>
Net addition to shareholders' funds	147,265	119,053
Shareholders' funds at 1 January	<u>2,130,772</u>	<u>2,011,719</u>
Shareholders' funds at 31 December	<u><u>2,278,037</u></u>	<u><u>2,130,772</u></u>

#### 16 Pension schemes

##### Defined contribution pension scheme

The parent company, Leiths (Scotland) Limited, operates a defined contribution pension scheme in which employees of this company are eligible to join. The assets of the Leiths (Scotland) Limited scheme are held separately from those of the group companies. Markon Limited also makes contributions on behalf of certain employees into personal pension schemes. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £42,441 (2013 - £38,947).

Contributions totalling £7,788 (2013 - £6,789) were payable to the scheme at the end of the year and are included in creditors.

#### 17 Contingencies

There is a group banking facility in place between Leiths (Scotland) Limited, Markon Limited, Lawrie (Demolition) Limited, Joss (Aberdeen) Limited, Howie Minerals Limited, M&M Roadsurfacing Limited and Alexander Ross & Sons (Sand and Gravel) Limited. The bank borrowings are secured on a cross guarantee given by Markon Limited and assets and charges over other group companies.

## Markon Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

#### 18 Commitments

##### Operating lease commitments

As at 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
<b>Other</b>		
Within one year	7,197	28,032
Within two and five years	<u>76,655</u>	<u>59,676</u>
	<u><u>83,852</u></u>	<u><u>87,708</u></u>

#### 19 Related party transactions

Markon Limited is included in the consolidated accounts of Leiths (Scotland) Limited. The company has taken advantage of the exemption applicable to group companies and transactions with the parent company and fully-owned subsidiary companies of the parent company are therefore not disclosed in these financial statements.

## **Markon Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

*..... continued*

#### **20 Control**

The company is a fully-owned subsidiary of Leiths (Scotland) Limited, a company incorporated in Scotland. Leiths (Scotland) Limited was under the control of Mr I A Leith throughout the current and previous year. Mr I A Leith is the chairman and majority shareholder of that company.