Annual Report and Financial Statements MetaPack Limited

For the year ended 31 December 2019

Registered number: 03870530

Company Information

Directors	J Carberry M Lipson K McBride
Registered number	03870530
Registered office	4th Floor 200 Grays Inn Road London WC1X 8XZ
Independent auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Bankers	Barclays Bank PLC PO Box 166 Heathrow Airport (London) Hounslow Middlesex TW6 2RA

Contents

Strategic report
For the year ended 31 December 2019

Introduction
The directors present their strategic report for MetaPack Limited for the year ended 31 December 2019. The company has continued to grow organically in the year. Last year the company changed its accounting reference date from 31 March to 31 December resulting in a short period of nine months for the prior period.

Business review
The principal activity of the company is the provision of technology solutions for complex supply chains, enabling retailers, carriers and consumers greater choice in service and cost for any package delivery requirement. Our broad and flexible proposition enables us to work with many retailers and brands throughout the world.

The business is focused on investing for growth by developing technological leadership in our sector. We continue to expand in our effort to develop the world's leading business solution in our sector. We have grown substantially in recent years providing a Software as a Service (SaaS) model for our customers.

Results and performance
MetaPack Limited ('MetaPack') has continued to enjoy growth in the Software as a Service (SaaS) side of its business. MetaPack is recognised as a leading company in the industry and for hosting an annual industry conference attended by the leading retailers, carriers and software solutions providers from around the world.

Total company assets amounted to £32.2m at 31 December 2019 (£29.1m at 31 Dec 2018), with increased cash at bank and recognition of a deferred tax asset on our losses brought forward partly offset by a decrease in intangibles due to the disposal of software. Total liabilities increased by £5.9m to £22.5m (31-Dec-18: £16.6m) solely due to an increase in amounts owed to group undertakings due to a change in transfer pricing calculations. Trade creditors decreased £0.2m to £0.4m (£0.6m at 31 Dec 2018).

The average number of employees in the company increase to 188 from 166 in the previous year.

Business environment
The business environment for MetaPack continues to be favourable, driven by consumers' demand for more online shopping which is pushing the industry to demand and develop improved delivery services. MetaPack is well placed to support and exploit this opportunity internationally with our constantly evolving technology and carrier integrations. While the broader eCommerce environment is favourable, challenges that we will face over the coming years include changes to the retail market, the uncertainty over a Brexit deal and impacts of COVID-19 on future growth. Additionally, post year end COVID-19 impacted the world pushing everyone indoors and increasing the demand for our eCommerce offerings. While we are currently experiencing the positive impact of COVID-19, there remains economic uncertainty over the impacts on our customer base, most of whom are retailers, and their ability to pay their debts when they fall due.

Strategy
MetaPack is focused on delivering a market leading global SaaS solution in our sector, by constant development of our software product capabilities, in terms of functionality and carrier capacity. Sales growth has been achieved by maintaining a high retention of existing customers who channel continually higher volumes of business through us, as well as by growing new customer numbers. We continue to expand internationally, leveraging our leading technology platform and success in the UK.

Future Developments
In line with our strategy we will continue to enhance and develop our service and invest in our existing technologies to assist in scaling the business. After year end, the company adapted very quickly and effectively to the change of the government guidelines to stay safe and work from home because of COVID-19. This lent to unexpected costs for new office equipment and additional technical support. The increase in online shopping helped cover these costs.

Strategic report (continued)

For the year ended 31 December 2019

Principal risks and uncertainties

As an online technology provider, we are exposed to online security risks. Similarly, as a fast-growing company we are more exposed to risks arising from staff recruitment, development and retention. We have policies and procedures in place to manage these exposures, which we continually review and adapt to meet emerging threats and business need. The policies to manage the company's financial risk are focused on securing adequate funding to allow the company to invest and develop its business. In prior years, the company had secured bank facilities to provide working capital.

Summary of key performance indicators ('KPIs')

The primary financial key performance indicators for the company are revenue and EBITDA, which are reported monthly to the board and are forecast to the end of the reporting period.

	Twelve months ended 31-Dec-19	Nine months ended 31-Dec-18
Turnover	£35.7m	£24.9m
EBITDA pre-exceptional items	£(9.0)m	£(1.0)m

The primary non-financial key performance indicators are the number of customers on our platforms and the volume of parcels facilitated.

Turnover has increased by £10.8m which is primarily due to prior year being a short nine month period compared to a 12 month period in 2019; and secondarily due to increased consumer demands for online services and the development of new product offerings (increasing both our customer base and volumes).

EBITDA pre-exceptional items has decreased £8.0m despite the large increase in turnover. This is a result of an increase in intercompany charges of £6.8m as a result of changes to the transfer pricing agreements and an increase in people costs due to a higher headcount and share based payments.

This report was approved by the board of directors on December 15, 2020 and signed on its behalf by:

DocuSigned by:

Jeff Carberry

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J Carberry
Director

Directors' report

For the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019 (nine months ended 31 December 2018).

Results

Following depreciation and interest paid, the loss for the period, after taxation, amounted to £7,162k (nine months ended 31-Dec-18: loss of £3,658k).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period and to the date of this report were as follows:

J Carberry
M Lipson
K McBride

Financial risk management

The company uses various financial instruments: these include cash and intercompany loans and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance and provide working capital for the company's operations.

The main risk arising from the company's financial instruments is liquidity risk and credit risk. Liquidity risk is managed through assessing the funding requirements of the company. The directors review and agree to policies for managing these risks. The principal credit risk arises from trade debtors.

In order to perform credit risk management, the company monitors customers based on a combination of payment history and third-party credit references. Debtor balances are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Research and development activities

The company continues to develop its own proprietary software platform which connects e-commerce retailers to carriers. Development costs expensed in the period amounted to £5.5m (Nine months ended 31-Dec-18: £4.1m) as the company invested heavily in technology, including increasing our carrier integrations and developing new products.

Employee involvement

The company keeps employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

Subsequent Events

In March 2020, the UK Government announced a countrywide lockdown due to COVID-19. This resulted in all MetaPack employees working from home until further notice. Additionally, with an increased global workforce working indoors and a mandate to minimise contact, the demand for our eCommerce offerings has increased which gave rise to large post year end volumes and revenue.

On 21 September 2020, the Company passed a special resolution to reduce the share premium account from £10,487,683 to nil. This resulted in an increase in the profit and loss account reserves of the same amount.

On 2 October 2020, the Company sold its subsidiary MetaPack Holdings USA, Inc. to the ultimate parent undertaking, Stamps.com Inc. for consideration of £12,045,278. This resulted in a gain on sale of £4.3m in the profit and loss account.

Directors' report (continued)

For the year ended 31 December 2019

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors' and officers' liability insurance

The company maintains insurance cover for the directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report and 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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; 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, 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

- During the year RSM UK LLP were appointed as auditors to the company. RSM UK LLP has indicated their willingness to continue in office.

Provision of information to auditor

The directors confirm that:

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

In accordance with section 414c(ii) of the Companies Act 2006, included in the Strategic Report is the Review of Business, principal risks and uncertainties and key performance indicators. This information would have been required by section 7 of the 'large and medium' sized Companies and Group (Accounts and Reports) Regulations 2008 to be contained within the Directors' Report.

Directors' report (continued)

For the year ended 31 December 2019

Going concern

On the basis of the directors assessment of the company's financial position and of enquires made of the directors of the ultimate parent undertaking, the company's directors have a reasonable expectation that the company will be able to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financials statements. Further details can be found in note 1.3 on page 12.

This report was approved by the board of directors on December 15, 2020 and signed on its behalf.

DocuSigned by:

Jeff Carberry

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J Carberry

Director

Independent auditor's report to the members of MetaPack Limited

Opinion

We have audited the financial statements of MetaPack Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, Statement of financial position, 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 Financial Reporting Standard 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 2019 and of its loss 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.

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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

Independent auditor's report to the members of MetaPack Limited (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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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 for the financial statements
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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of MetaPack Limited (continued)

Use of our report

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

RSM UK Audit LLP

Christopher Tate
Senior Statutory Auditor
RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

16 December 2020

MetaPack Limited
Registered number: 03870530

Statement of comprehensive income

For the year ended 31 December 2019

	Notes	Twelve months **31-Dec-19** **£000's**	Nine months 31-Dec-18 £000's
Turnover	2	**35,713**	24,883
Administrative expenses		**(45,230)**	(26,390)
Exceptional items	7	**-**	(832)
Operating (loss)	3	**(9,517)**	(2,339)
Interest payable	8	**-**	(210)
Interest receivable and similar income	8	**568**	-
(Loss) before tax		**(8,949)**	(2,549)
Tax on (loss) on ordinary activities	9	**1,787**	(1,109)
(Loss) for the financial period		**(7,162)**	(3,658)

The notes on pages 12 to 27 form part of these financial statements.

MetaPack Limited
Registered number: 03870530

Statement of financial position

As at 31 December 2019

	Notes	£000's	As at 31-Dec-19 £000's	£000's	As at 31-Dec-18 £000's
Fixed assets					
Intangible assets	10		**75**		493
Tangible assets	11		**203**		169
Investments	12		**12,287**		12,287
			12,565		12,949
Current assets					
Debtors	13	**16,685**		14,243	
Cash at bank and in hand		**2,904**		1,905	
		19,589		16,148	
Creditors: amounts falling due within one year	14	**(16,794)**		(9,210)	
Net current assets			**2,795**		6,938
Total assets less current liabilities			**15,360**		19,887
Creditors: amounts falling due after more than one year	15		**(5,670)**		(7,407)
Net assets			**9,690**		12,480
Capital and Reserves					
Called up share capital	17		**1**		1
Share premium account			**10,487**		10,487
Profit and loss account			**(798)**		1,992
			9,690		12,480

The financial statements were approved and authorised for issue by the board and were signed on its behalf on December 15, 2020.

DocuSigned by:

Jeff Carberry

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J Carberry
Director

The notes on pages 12 to 27 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

Statement of changes in equity

	Called-up share capital	Share premium account	Profit and loss account	Total
	£000's	£000's	£000's	£000's
At 31 March 2018	**1**	**8,799**	**3,861**	**12,661**
Loss for the period	-	-	(3,658)	(3,658)
Total comprehensive expense for the period	**-**	**-**	**(3,658)**	**(3,658)**
Credit to equity for share based payments	-	-	1,789	1,789
Shares issued from options exercised in the period	-	1,688	-	1,688
At 31 December 2018	**1**	**10,487**	**1,992**	**12,480**
Loss for the period	-	-	(7,162)	(7,162)
Total comprehensive expense for the period	**-**	**-**	**(7,162)**	**(7,162)**
Credit to equity for share based payments	-	-	4,372	4,372
At 31 December 2019	**1**	**10,487**	**(798)**	**9,690**

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

1.1 Company information

MetaPack Limited is a company limited by shares incorporated and registered in England and Wales with its registered office and principal place of business located at 200 Grays Inn Road, London, UK.

The company's principal activity continued to be the provision of technology solutions for complex supply chains, enabling retailers, carriers and consumers optimal choice in service and cost for any package delivery requirement.

1.2 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£'000's), which is the functional currency of the company.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS102 as follows:

- the requirements of Section 4 Statement of Financial Position 4.12 (a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

1.3 Going concern

The company's business activities together with factors likely to affect its future development, its financial position and principle risk and uncertainties are set out in the Strategic report.

As at 31 December 2019 the company had made a loss after tax of £7,162k. The directors have considered the current market conditions, trading post year end and the liquid resources available to the company and obtained a letter of support from the ultimate parent undertaking, Stamps.com Inc. The letter of financial support from the ultimate parent undertaking indicates that the company will be provided with the necessary financial support, being at best 12 months from the date of approval of the financial statements.

On the basis of their assessment of the company's financial position and of enquires made of the directors of the ultimate parent undertaking, the company's directors have a reasonable expectation that the company will be able to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financials statements.

Notes to the financial statements

For the year ended 31 December 2019

1.4 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements.

1.5 Investment in joint ventures

Investments in joint ventures are accounted for at cost less impairment in the financial statements.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	5 - 10 years straight line
Computer equipment	-	2 - 5 years straight line

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

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

1.7 Intangible fixed assets and amortisation

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Research and development costs not meeting the criteria required for capitalisation of development costs are charged to profits in the period in which they are incurred.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software 2 to 5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

1.8 Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.9 Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.10 Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans and contingent consideration, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

1.12 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

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

1.13 Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated 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.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Notes to the financial statements

For the year ended 31 December 2019

1.13 Taxation (continued)

Deferred tax liabilities are presented within provision for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.14 Foreign currency translation

The financial statements are presented in the currency of the primary economic environment in which the company operates (its functional currency), Sterling (£'000's).

1.15 Turnover

Turnover consists of the value (excluding VAT) for goods and services supplied in the year.

Software licences are recognised over the period of the licence from commencement date of contract. Depending on the contract, revenue is calculated based on the volume of parcels despatched through the system or based on a fixed price.

Consulting, implementation, set up fees and maintenance and support services are recognised in the month the service is provided.

Revenue relating to the recharge of costs to subsidiary undertakings is recognised in the period to which the service was provided. The revenue includes both an element of costs recharged at cost and an element at a mark-up.

1.16 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred, which represents the amounts payable by the company to the fund in respect of the period.

1.17 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability, then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.18 Share based payments

MetaPack Limited and the ultimate parent undertaking, Stamp.com Inc. have issued share options to employees of the company. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the Statement of comprehensive income account over the vesting period of the option from the date of grant. The amount to be expensed is determined by reference to the fair value of the options at the grant date.

Fair value of the options is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, a minimum expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured from the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the due date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately

However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

1.20 Judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Deferred tax

A deferred tax asset was recognised for the UK tax losses as the directors expect that the losses will be utilised in the foreseeable future.

Bad debt provision

Management has included a bad debt and a credit note provision within the financial statements as at 31 December 2019 after reviewing trade debtor balances outstanding at the period end and identifying those where recovery is and remains uncertain.

2. Turnover

A geographical analysis of turnover is as follows:

	Twelve months **31-Dec-19** **£000's**	Nine months **31-Dec-18** £000's
United Kingdom	**24,229**	18,698
Rest of Europe	**10,258**	5,709
Rest of World	**1,226**	476
	35,713	24,883

Notes to the financial statements
For the year ended 31 December 2019

2. Turnover (continued)

Turnover, analysed by category, was as follows:	Twelve months **31-Dec-19** **£000's**	Nine months **31-Dec-18** £000's
Sale of goods	-	70
Rendering of services	**35,713**	24,813
	35,713	24,883

Revenue relating to the recharge of costs to other group companies amounted to £2,715k (Nine months ended 31-Dec-18: £2,030k) and are included in rendering of services.

3. Operating (loss)

The operating (loss) is stated after charging/(crediting):

	Twelve months **31-Dec-19** **£000's**	Nine months **31-Dec-18** £000's
Amortisation of intangible fixed assets	**309**	251
Depreciation of tangible fixed assets	**210**	210
(Loss) on disposal of intangible fixed assets	**(110)**	-
Auditor's remuneration – audit of the financial statements	**55**	62
Operating lease rentals:		
- other operating lease rentals	**67**	8
- land and buildings operating lease rentals	**628**	276
Research and development costs	**4,539**	4,084
Net foreign exchange (gains)/losses	**(267)**	462

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	Twelve months **31-Dec-19** **£000's**	Nine months **31-Dec-18** £000's
Wages and salaries	**16,570**	10,014
Social security costs	**1,779**	1,068
Pension costs (see note 19)	**555**	247
Share-based payments charge/(credit) (see note 6)	**4,372**	1,789
	23,276	13,118

Notes to the financial statements

For the year ended 31 December 2019

4. Staff costs (continued)

The average monthly number of employees, including the executive directors, during the period was as follows:

	Twelve months **31-Dec-19** **No.**	Nine months **31-Dec-18** No.
Administrative and sales staff	**188**	166

5. Directors' remuneration

	Twelve months **31-Dec-19** **£000's**	Nine months **31-Dec-18** £000's
Remuneration	-	142
Company pension contributions to defined contribution pension scheme	-	4

During the period there were no director's remuneration.

6. Share based payments

MetaPack scheme

In prior years, an employee share option scheme was established, under which options may be granted to employees (including directors) to subscribe for ordinary shares in the company. During the prior period, all options were exercised.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding during the period are as follows:

	Twelve months 31-Dec-19 No.	**Twelve months 31-Dec-19 WAEP £**	Nine months 31-Dec-18 No.	Nine months 31-Dec-18 WAEP £
Outstanding at the beginning of the period	-	-	29,353	57.52
Exercised during the period	-	-	(29,353)	(57.52)
Outstanding at the end of the period	-	-	-	-
Exercisable at the period end	-	-	-	-

Notes to the financial statements

For the year ended 31 December 2019

6. Share based payments (continued)

Stamps.com Inc. scheme

On 15 August 2019, the ultimate parent undertaking, Stamps.com Inc. issued share options to employees of the company under a new employee share option scheme, under which options may be granted to employees to subscribe for ordinary shares in the ultimate parent undertaking.

Share options were granted during the period of 176,750. 109,650 have a vesting period of 36 months, of which 33% vest after 12 months and the rest vest in equal portions over the following 24 months. 67,100 have a vesting period of 48 months, of which 25% vest after 12 months and the rest vest in equal portions over the following 36 months.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding during the period are as follows:

	Twelve months 31-Dec-19 No.	**Twelve months 31-Dec-19 WAEP £**	Nine months 31-Dec-18 No.	Nine months 31-Dec-18 WAEP £
Outstanding at the beginning of the period	**275,750**	**181.54**	-	-
Granted during the period	**176,750**	**39.40**	275,750	181.54
Forfeited during the period	**(60,426)**	**(157.56)**		
Outstanding at the end of the period	**392,074**	**117.19**	275,750	181.54
Exercisable at the period end	**74,727**	**175.90**	-	-

7. Exceptional items

	Twelve months **31-Dec-19** **£'000's**	Nine months 31-Dec-18 £'000's
Forgiveness of debt owed by subsidiary undertakings	**-**	832

8. Interest payable & receivable and similar charges

	Twelve months **31-Dec-19** **£'000's**	Nine months 31-Dec-18 £'000's
On bank facilities	**-**	210
Interest on receivable on Intercompany Loans	**(568)**	-
	(568)	210

Notes to the financial statements

For the year ended 31 December 2019

9. Taxation

	Twelve months **31-Dec-19** **£'000's**	Nine months **31-Dec-18** £'000's
Analysis of tax charge/(credit) in the period		
Current tax		
R&D expenditure (credit) for the period	**28**	-
Adjustments in respect of prior periods – R&D tax credit claim	**21**	320
	49	320
Deferred tax (see note 16)		
Derecognition/(recognition) of deferred tax asset on tax losses	**(1,787)**	789
R&D expenditure (credit) for the period	**(28)**	
Adjustments in respect of prior periods – R&D tax credit claim	**(21)**	-
Tax on (loss)/profit on ordinary activities	**(1,787)**	1,109

Factors affecting tax charge /(credit) for the period

The tax assessed for the period is lower than (Nine months ended 31-Dec-18: higher than) the standard rate of corporation tax in the UK of 19% (Nine months ended 31-Dec-18: 19%). The differences are explained below:

	Twelve months **31-Dec-19** **£'000's**	Nine months **31-Dec-18** £'000's
(Loss)/profit before tax	**(8,949)**	(2,549)
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (Nine months ended 31-Dec-18: 19%)	**(1,700)**	(484)
Effects of:		
Income not taxable for tax purposes	-	(84)
Expenses not deductible for tax purposes	**881**	1,170
Carry forward/(utilisation) of tax losses for which no deferred tax asset recognised	**(968)**	187
Adjustments in respect of prior periods – R&D tax credit claim	-	320
Current tax prior year adjustment	**21**	-
Deferred tax prior year adjustment	**(21)**	
Total tax charge/(credit) for the period (see note above)	**(1,787)**	1,109

Factors that may affect future tax charges

At 31 December 2019, the company has utilisable tax trading losses carried forward of £10.5m (31-Dec-18: £6.7m). A deferred tax asset has been recognised of £1.8m (31-Dec-18: has not been recognised of £1.1m). A deferred tax asset was recognised for UK tax losses as at 31 December 2019 as the directors expect that the losses will be utilised during the next three-year period.

The standard rate of UK corporation tax was 19% from 1 April 2017 and is expected to remain the same at 19%.

Notes to the financial statements

For the year ended 31 December 2019

10. Intangible fixed assets

	Software £'000's
Cost	
At 1 Jan 2019	1,769
Disposals	(1,159)
Reclass	12
At 31 December 2019	**622**
Amortisation	
At 1 Jan 2019	1,276
Charge for the period	309
Disposals	(1,048)
Reclass	10
At 31 December 2019	**547**
Net book value	
At 31 December 2019	**75**
At 31 December 2018	493

Included in software above are assets in the course of construction amounting to £Nil (31-Dec-18: £110k) which will be amortised when the software is available for use.

11. Tangible fixed assets

	Fixtures & fittings £000's	Computer equipment £000's	Total £000's
Cost			
At 1 Jan 2019	564	1,848	2,412
Additions	194	50	244
Disposals	(546)	(1,580)	(2,126)
Reclass	5	(17)	(12)
At 31 December 2019	**217**	**301**	**518**
Depreciation			
At 1 Jan 2019	540	1,703	2,243
Charge for the period	98	111	209
Disposals	(546)	(1,580)	(2,126)
Reclass	(71)	60	(11)
At 31 December 2019	**21**	**294**	**315**
Net book value			
At 31 December 2019	196	7	203
At 31 December 2018	24	144	169

Notes to the financial statements

For the year ended 31 December 2019

12. Fixed asset investments

	Investments in subsidiary companies £000's	Other Investments £000's	Total £000's
Cost			
At 1 Jan 2019 and at 31 December 2019	12,272	15	12,287
Impairment			
At 1 Jan 2019 and at 31 December 2019	-	-	-
Net book value			
At 31 December 2019	**12,272**	**15**	**12,287**
At 31 December 2018	**12,272**	**15**	**12,287**

Subsidiary undertakings

Name	**Country of incorporation**	**Holding**
MetaPack Germany GmbH	Germany	100%
Total Delivery Management Limited (Dormant)	England & Wales	100%
Abol Software Limited	England & Wales	100%
Abol Software, Inc. (Indirect via MetaPack Holdings USA, Inc.)	USA	100%
MetaPack Holdings USA, Inc.	USA	100%
Oval (2280) Limited	England & Wales	72%
SendA2B Limited (Indirect via Total Delivery Management Limited)	England & Wales	100%
MetaPack Poland Sp. Z.o.o.	Poland	100%
MetaPack Software SAS	France	100%
MetaPack Far East Limited	Hong Kong	100%
Feedpack Delivery Application Ltd	England & Wales	50%

Name	**Nature of business**
MetaPack Germany GmbH	Software sales
Total Delivery Management Limited	Dissolved 31/03/2020
Abol Software Limited	Dissolved 31/03/2020
Abol Software, Inc.	Software sales and development
MetaPack Holdings USA, Inc.	Dormant holding company
Oval (2280) Limited	Dissolved 31/03/2020
SendA2B Limited (Indirect via Total Delivery Management Limited)	Dormant holding company
MetaPack Poland Sp. Z.o.o.	Software development
MetaPack Software SAS	Dormant holding company
MetaPack Far East Limited	Dormant holding company
Feedpack Delivery Application Ltd	Dissolved 03/09/2019

Notes to the financial statements
For the year ended 31 December 2019

13. Debtors

	Twelve months **31-Dec-19**	Nine months ended 31 Dec-18
	£000's	£000's
Trade debtors	**6,020**	5,864
Amounts owed by group undertakings	**6,264**	6,801
Other debtors	**40**	15
Prepayments and accrued income	**2,316**	1,563
Deferred tax asset (see note 16)	**1,836**	-
Corporation tax	**209**	-
	16,685	14,243

Bad debts written off of £18k (Nine months ended 31-Dec-18: £25k) were recognised in the Statement of comprehensive income during the period, and a provision of £199k (31-Dec-18: £198k) has been made against trade debtors above. £5.9m of the amounts owed by group undertakings is interest bearing at 7.25% per annum and repayable on demand. The remaining amount owed by group undertakings is interest free and repayable on demand.

14. Creditors: Amounts falling due within one year

	Twelve months **31-Dec-19**	Nine months ended 31 Dec-18
	£000's	£000's
Trade creditors	**377**	589
Other taxation and social security	**1,528**	1,012
Amounts owed to group undertakings	**10,740**	3,010
Accruals and deferred income	**4,149**	4,599
	16,794	9,210

The amounts owed to group undertakings are interest free and repayable on demand.

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

	Twelve months **31-Dec-19**	Nine months ended 31 Dec-18
	£000's	£000's
Amounts owed to ultimate parent undertaking	**5,670**	7,407

The amounts owed to ultimate parent undertaking is interest free and repayable after 12 months and before 24 months from the balance sheet date.

Notes to the financial statements

For the year ended 31 December 2019

16. Deferred taxation

	Twelve months **31-Dec-19**	Nine months 31 Dec-18
	£000's	£000's
At beginning of period	**-**	789
Adjustment in respect of prior years	**21**	-
Credit to profit and loss	**28**	-
Derecognition/(recognition) of deferred tax asset on tax losses	**1,787**	(789)
At end of period	**1,836**	-

The deferred tax asset comprises as follows:

	Twelve months **31-Dec-19**	Nine months 31 Dec-18
	£000's	£000's
Tax losses recognised	**1,836**	-

At 31 December 2019 the company had no unrecognised deferred tax asset on trading losses (31-Dec-18: £1.1m).

17. Share capital

	Twelve months **31-Dec-19**	Nine months 31 Dec-18
	£	£
Allotted, called up and fully paid		
15,845 - (31 Dec-18: 15,845) A Ordinary Shares of £0.01724 each	**3**	3
1,482 - (31 Dec-18: 1,482) B Ordinary Shares of £0.01724 each	**-**	-
20,133 - (31 Dec-18: 20,133) C Ordinary Shares of £0.01724 each	**3**	3
34,723 - (31 Dec-18: 34,723) C1 Ordinary Shares of £0.01724 each	**5**	5
4,436 - (31 Dec-18: 4,436) C2 Ordinary Shares of £ each	**1**	1
4,850 - (31 Dec-18: 4,850) D Ordinary Shares of £0.01724 each	**1**	1
8,814 - (31 Dec-18: 8,814) Deferred of £0.01724 each	**2**	2
4,850 - (31 Dec-18: 4,850) E Ordinary Shares of £0.01724 each	**1**	1
4,850 - (31 Dec-18: 4,850) F Ordinary Shares of £0.01724 each	**1**	1
65,174 - (31 Dec-18: 65,174) Ordinary of £0.722385 each	**471**	471
456,495 - (31 Dec-18: 456,495) Ordinary of £0.01724 each	**79**	79
	567	567

Each A Ordinary share has full rights on a pro rata basis to participate in any ordinary dividend. The A Ordinary shares carry no right to attend and vote at a meeting of the company. The A ordinary shares carry limited rights to participate in a return of capital on winding up in certain circumstances subject to the priority rights of the Ordinary shares. The A Ordinary shares are not redeemable.

Each B Ordinary share has full rights on a pro rata basis to participate in any ordinary dividend. The B Ordinary shares carry no right to attend and vote at a meeting of the company. The B ordinary shares carry limited rights to participate in a return of capital on winding up in certain circumstances subject to the priority rights of the Ordinary shares and the A, C, C1, and C2 Ordinary shares. The B Ordinary shares are not redeemable.

Notes to the financial statements

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17. Share capital (continued)

The C, C1 and C2 Ordinary shares carry no rights to (a) attend and vote at a meeting of the company or (b) participate in any dividend. The C, C1 and C2 Ordinary shares carry limited rights to participate in a return of capital on winding up in certain circumstances, subject to the priority rights of the Ordinary shares and the A Ordinary shares. The C, C1 and C2 Ordinary shares are not redeemable.

The D Ordinary shares carry no rights to (a) attend and vote at a meeting of the company or (b) participate in any dividend. The D Ordinary shares carry limited rights to participate in a return of capital on winding up in certain circumstances, subject to the priority rights of the Ordinary shares and the A, C, C1 and C2 Ordinary shares. The D Ordinary shares are not redeemable.

The E Ordinary shares carry no rights to (a) attend and vote at a meeting of the company or (b) participate in any dividend. The E Ordinary shares carry limited rights to participate in a return of capital on winding up in certain circumstances, subject to the priority rights of the Ordinary shares and the A, B, C, D, C1 and C2 Ordinary shares. The E Ordinary shares are not redeemable.

The F Ordinary shares carry no rights to (a) attend and vote at a meeting of the company or (b) participate in any dividend. The F Ordinary shares carry very limited rights to participate in a return of capital on winding up in certain circumstances, subject to the priority rights of the Ordinary shares and the A, B, C, D, E, C1 and C2 Ordinary shares. The F Ordinary shares are not redeemable.

Each Ordinary share has full rights on a pro rata basis to (a) attend and vote at a meeting of the company and (b) participate in any dividend. Each Ordinary share has priority rights on a pro rata basis to participate in a return of capital on winding up. The Ordinary shares are not redeemable.

The Deferred shares carry no rights to (a) attend and vote at a meeting of the Company or (b) participate in any dividend. The Deferred shares carry limited rights to participate in a return of capital on winding up in certain circumstances, subject to the payment of £10 million per Ordinary share. The Deferred shares are not redeemable.

18. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all current and prior period retained profits and losses.

19. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company and the charge for the period amount to £555k (Nine months ended 31 Dec 18: £247k). Contributions totalling £96k (31-Dec-18: £67k) were payable at the balance sheet date and are included in other taxation and social security within creditors: amounts falling due within one year.

Notes to the financial statements

For the year ended 31 December 2019

20. Operating lease commitments

At 31 December 2019 the company's minimum commitments under non-cancellable operating leases were as follows:

	Land and buildings		Other	
	31-Dec-19 £000's	31-Dec-18 £000's	**31-Dec-19 £000's**	31-Dec-18 £000's
Minimum lease payments due:				
Within 1 year	**757**	445	**8**	7
Between 2 and 5 years	**2,302**	1,768	**7**	8
After more than 5 years	**-**	38	**-**	-

21. Financial assets and liabilities

	Twelve months **31-Dec-19 £000's**	Nine months 31-Dec-18 £'000's
Financial assets measured at amortised cost	**13,185**	14,584
Financial liabilities measured at amortised cost	**19,300**	13,723

22. Financial risk management

The company has exposures to the following main areas of risk - foreign exchange currency exposure, interest rate risk, liquidity risk and customer credit risk.

Foreign exchange transactional currency risk
The company is exposed to currency exchange rate risk due to a significant proportion of its trade receivables and operating expenses being denominated in non-sterling currencies. The net exposure of each currency is monitored and managed within the respective trading entity.

Liquidity risk
The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows and debt facilities. In the event that the operating cash flows and trading performance were below expectations, the board would reassess its operating cost base to ensure it was able to meet commitments and obligations as they come due.

Customer credit risk
The company offers credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and internal credit control process.

Notes to the financial statements

For the year ended 31 December 2019

23. Related Party Disclosure

All directors and certain senior employees who have authority and responsibility for directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £1,991k (Nine months ended 31-Dec-18: £1,426k).

24. Ultimate Controlling Party

The company's immediate parent undertaking is Pacific Shelf 1855 Limited. The company's ultimate parent undertaking and controlling party is Stamps.com Inc., a company incorporated in the United States of America.

The smallest and largest group in which the results of the company are consolidated is headed by Stamps.com Inc. These consolidated financial statements are publicly available online at www.sec.gov.

25. Subsequent Events

In March 2020, the UK Government announced a countrywide lockdown due to COVID-19. This resulted in all MetaPack employees to work from home form this date. There have been no negative impacts on the Company as a result.

On 21 September 2020, the Company passed a special resolution to reduce the share premium account from £10,487,683 to nil. This resulted in an increase in the profit and loss account reserves of the same amount.

On 2 October 2020, the Company sold its subsidiary MetaPack Holdings USA, Inc. to the ultimate parent undertaking, Stamps.com Inc. for consideration of £12,045,278. This resulted in a gain on sale of £4.5m in the profit and loss account.