EVO Business Supplies Limited

Annual report and consolidated financial statements

31 December 2020

Registered number 09060494

EVO BUSINESS SUPPLIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2020

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A P Gale
S Haworth
J Woolley
G Stokes

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J Maxted

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AUDITOR

Deloitte LLP
Statutory Auditor
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STRATEGIC REPORT

Strategic Report
This strategic report has been prepared for the EVO Group as a whole and, therefore, gives greater emphasis to those matters which are significant to Group.

Business Review and Results
The Group consists of four distinct trading divisions, which address the UK and Irish business supplies and services market.

- Vow is the UK and Ireland's leading business supplies wholesaler serving businesses of all sizes via a network of local and national resellers.
- Banner trades directly under long term contracts with the largest corporate organisations and public sector bodies, (both central and local government), and provides managed procurement services for business critical products for these customers.
- Vow Retail is a specialist value added distributor and category manager in the mass and convenience retail channel.
- Truline is a specialist transport business delivering small parcels to businesses through an integrated delivery network on behalf of VOW, Banner, VOW Retail and third parties.

Group turnover for the year ended 31 December 2020 was £455.8m, (2019: £439.9m). The increase in turnover year-on-year was driven by the full year impact of the Premier Vanguard acquisition (£17.9m turnover) in 2019 and the 3 months of trading following the Staples acquisition (£13.2m turnover) on 3 October 2020. Banner turnover declined by £16m due to the impact of COVID on Banner customers and Vow turnover declined by £7.7m with COVID a negative impact in part offset by the failure of a Vow competitor during the year.

Overall trading in 2020 was impacted by the COVID pandemic. After a solid Q1 the UK Government locked down the economy at the end of March and some form of restriction was in place for the rest of the year and into 2021. The UK Government requirement for people to work from home and the social distancing rules naturally reduced the demand for our product sets from offices. This was partly mitigated by the "new" demand for COVID and hygiene products, which increased our sales in May – September, but started to reduce in Q4.

This trading climate, however, accelerated the failure of one of Vow's large competitors, which failed into administration in April. This increased sales with existing Vow customers and created new customers for Vow.

In addition, we completed the acquisition of the Staples contract and online business in October, thereby increasing Banner's sales in these two areas.

We also benefited from a full year of trading from Premier Vanguard, which was acquired in November 2019.

There were no significant customer losses in 2020 or 2019 other than business we have exited over profit/working capital concerns as contracts expired.

There were no significant customer losses in 2020 or 2019 other than business we have exited over profit/working capital concerns as contracts expired or in the case of the Staples contract business, customers we decline to accept.

Gross profit was £108.3m in 2020 (2019: £100.4m). In percentage terms gross margin was 23.8% (2019: 22.8%) reflecting a favourable movement in sales mix and the impact of acquisitions. The main gross margin challenge remained one of passing through cost inflation and the Directors believe that inflationary pressures will be a significant challenge in 2021 as a consequence of COVID and BREXIT. We intend to pass any product or freight cost increases through to our customers.

Operating expenses were 24% of sales in 2020 (2019: 23%).

STRATEGIC REPORT (CONTINUED)

Business Review and Results (continued)
During 2020 we utilised the UK and Irish Government Coronavirus Job Retention Schemes to enable us to flex our overheads, notably our sales and back office overheads (see note 6) to partially mitigate the impact of COVID. In total during 2020 we received £2.7m of furlough support. All of our warehouses and transport solution facilities remained open and fully operational throughout the pandemic. The Directors would like to note, our thanks for the professionalism and commitment of these colleagues in particular during this very challenging period. All of our employees stepped up during this period, but this was particularly the case with our warehouse and transport colleagues. The Group also took advantage of Government support in relation to the deferral of payments of PAYE and VAT (see note 16). As at 31 December 2020, £12.7m in UK/Irish VAT/PAYE had been deferred under agreed repayments arrangements with the Irish and UK tax authorities. These arrears are being repaid over FY21 with the final repayments due in January 2022.

As a result, EBITDA, (profit before interest (£2.5m (2019: £2.9m), tax (£1.1m credit (2019: £0.6m credit), depreciation (£3.2m (2019: £3.0m), goodwill amortisation (£3.6m (2019: £3.5m),) and exceptional items (£4.2m (2019: £3.3m),), was £10.2m, (2019: £6.3m).

In 2020 the Group has delivered a £2.2m retained loss (2019: £5.8m retained loss), reflecting the higher 2020 EBTIDA result.

In summarising 2020 the Directors would note:

- The Directors remain confident in the relevance and value of the Group's unique multi-channel market coverage across all sales channels on behalf of its manufacturer partners. Ongoing investments in e-commerce, our transport network, range expansion and market share gains position the Group well to take advantage of any future market transformation both organically and via mergers and acquisition. The events of 2020 re-inforce this confidence.
- The failure of one of Vow's large competitors and the acquisition of the Staples corporate and online business positions our key trading channels positively for 2021 and beyond.
- COVID created a short-term level of exceptional demand for a small subset of products, such as face masks and hand sanitiser. These products were in exceptionally short supply in April and early May and were strong sellers in the following few months. EVO benefited from a modest level of sales on these products, but while we will continue to offer an infection control/hygiene range the sales of these COVID products are now c. £50k / day. The speed with which we onboarded a complimentary product range, however, evidences our ability to broaden our offer and we will look to continue to broaden our product offering in 2021 and beyond.
- From an EBITDA perspective EVO delivered a material step forward at £10.2m in 2020 in the most challenging of market conditions. The Directors believe that as the COVID restrictions are removed that the business is now positioned to deliver a step change in performance – sales / margin, EBITDA and cash generation in the future.
- Merger and acquisition activity continued in 2020 and this is being used to accelerate our strategy execution. The completion of the acquisition of the Staples corporate and online business at the start of October 2020 is expected to add c. £35m sales and circa £2m EBITDA to our current run rate. Moving into 2021 we will review other acquisition opportunities, but only where these accelerate our strategy.

Net assets as at 31st December 2020 were £1.2m (2019: £nil).

On 22nd December 2020 the Group completed a new £81m invoice financing facility with Breal Zeta CF Limited and Leumi ABL Limited and a £9m term loan with Breal Zeta CF. These facilities are committed for three years. The Directors consider that these facilities provide a better and simpler funding mix than the previous facilities provided by PNC Business Credit – a trading style of PNC Financial Services UK – with participation by ABN AMRO Commercial Finance. The Board will continue to review the funding structure of the Group, but the Directors are pleased to have secured committed facilities for the next three years.

These new facilities come with a covenant regime, but our modelling suggests that the business will operate with sensible and increasing headroom over time. There have been no covenant issues at May YTD 2021.

Accordingly, the Directors are of the view that the Group now has an appropriate financial structure in place moving into the future.

Business Review and Results (Continued)

As at the 31 December the Group had net debt of £50.1m (2019 £65.0m) (note 21) with the invoice financing the major inflow in part offset by the lower trading volumes due to COVID. Cash and cash equivalents was £0.8m (2010 £2.0m) (note 21). As we are an invoice finance funded business we try to hold as low a cash balance as possible as this minimises our interest cost.

In view of the trading/operating platform that has been established, and the strong market position the Group's Trading Divisions enjoy in their respective sectors, the Directors are confident that the Group is both positively and uniquely positioned for the future relative to many of our competitors.

Future Prospects and Events After the Balance Sheet Date

Since 31 December we would note the following as key events:

- BREXIT: the UK has now finally exited from the EU and during H1 FY21 we have experienced some supplier delays particularly related to product imported from the Far East. We expect these challenges to continue for the next few months.. As predicted BREXIT has created opportunities for us with a number of suppliers asking us to provide them with a distribution solution for Ireland. In addition, supply disruption has created an opportunity to swap sales from one product to another and BREXIT has created a climate where price increases are now more accepted by all parties. We expect to see further cost inflation in 2021.
- COVID: this remains an ongoing challenge for us all, but we are now starting to see restrictions eased. Sales in the first few months of FY21 have been negatively impacted by the ongoing lockdowns, but due to price and cost controls we are trading ahead of FY20 levels. We continue to believe that we will see sales/day increases as the lockdown restrictions are removed, nothwithstanding the current global supply chain and freight disruption, and thus, we believe we are well positioned moving into H2 FY21.

Consequently, we believe that the UK/Irish market will remain challenging in the year ahead and we are assuming that we will only see a modest increase in the use of office space in 2021. COVID and BREXIT are both ongoing risks, but also opportunities for us. We are responding to these challenges, and both are factored into our planning for the year ahead. As events unfold, we will respond, but we believe we are well positioned as a result of the market changes, which we believe will create new longer term opportunities for us.

Key Performance Indicators (KPIs)

The most significant KPIs used by the Group are financial. Management monitors the performance of the business against budget and prior year results.

The key operating KPIs are revenue, gross margin, and EBITDA.

KPI	**2021**	**2020**
Revenue	£455.8m	£439.8m
Gross Margin	£108.3m	£100.4m
Gross Margin %	23.8%	22.8%
EBITDA	£10.2m	£6.3m

Management also monitors trading profitability by customer account and by product category, whilst also receiving daily, weekly and monthly performance reports that include both financial and non-financial measures. The key non-financial KPIs are related to sales order input and stock fill rates.

On a daily basis our sales order input averaged £2.0m per working day in 2020. Over the course of a typical week sales input is higher Monday-Thursday with Friday a lower sales day. Sales are lower in the run up and after public holidays.

Our stock fill rate in 2020 averaged 91%, (2019 96%), which was significantly impacted by the global pandemic - disrupting supply lines. In the last quarter of 2020 the fill rate recovered to 93%. As the business closes on Christmas Eve and re-opens at the start of the new year there is no meaningful stock fill measure at our year end date.

Tax Strategy
The Group follows the following tax principles are as follows:

to observe and be compliant with all tax laws, rules, regulations and disclosure requirements in the territories in which we operate;

- to only enter into transactions that have a genuine business purpose or commercial rationale;
- to actively manage tax risk within the business in order to obtain certainty in our tax positions as far as possible; and
- to develop and maintain a good working relationship with HMRC based on transparency and openness.

Overall our aim is to meet all of our tax liabilities, within both the spirit and the letter of the tax law applicable to the territories in which we operate as part of our commitment to being a responsible business.

Principal Risks
The Group, headed by EVO Business Supplies Limited, face a number of risks:

Price / customer risk – the market for business supplies remains competitive, notwithstanding the favourable market transformation during the period and we do not take our market position for granted. We strive to develop strong relationships with customers and suppliers, focus on customer service, maintaining a high availability of products and a low cost to serve, in order to minimise the risk of sales / customer loss. This is balanced by an assessment of the return versus cash invested for all customers.

Credit risk – a significant financial exposure faced by the Group relates to credit risk, primarily to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual terms. We have a credit insurance policy focused on the Vow larger resellers, but the backbone of our credit risk management remains our own credit risk review processes and monitoring, which are crucial to managing credit risk in an informed manner. Where customers require support, notable in the Vow business, our approach involves taking credit insurance cover, and other security as appropriate, and adjusting commercial terms to ensure that we appropriately manage risk. We are seeking to build long-term relationships with our customers and our approach is one of partnership, but this has to be balanced by sensible commercial judgements.

Liquidity / cash flow risk – subsequent to our December 2020 refinancing with Breal Zeta CF Limited and Leumi ABL Limited, the Group is financed by a £81m invoice finance facility and a £9m term loan. Our invoice finance facilities are secured against the Group debtor book and the term loan is secured against Group inventory (excluding Premier Vanguard stock), and a charge over the other assets of the business. On 31 December 2020 EVO had £63.5m available and £6.4m headroom under these new facilities.

In addition, EVO has an £8m RCF facility with Endless LLP, our majority shareholder, which was £4m drawn as at 31 December 2020 and the date of signing these accounts.

As a result, the Directors are of the view that EVO has is operating with a sensible level of cash headroom.

The appropriateness of the respective financing facilities will continue to be reviewed periodically by management and the EVO Group Board.

As a result, the directors believe that the financing in place is both appropriate to the needs of the business and provides the necessary headroom to support our expansion plans.

Supplier credit – this provides a further key source of funding for the Group and Company. This is influenced by the credit view of the credit insurance community and the credit rating agencies. The Executive management team update the credit insurance community monthly and monitor the ongoing cash headroom of the business daily. Management will continue to hold regular update meetings with suppliers and credit insurers and will continue with our open style of communication, which we believe has been and remains fundamental to our way of working with our key supplier /credit insurance partners. We are again grateful for the continued support of this credit risk community and our suppliers.

The Board has strategies to manage and mitigate all of the above risks and remains confident of the continued success of the Group.

Going Concern
Economic conditions create uncertainty, particularly over (i) the level of demand where our industry has been sensitive to the underlying national economic position and the COVID restrictions in place and, (ii) the availability of credit insurance, which has an impact on the level of credit our suppliers are able to offer us.

In considering the level of demand and our forecast trading performance the directors have considered the impact of COVID, Brexit and the impact of the material market changes that we have seen in the UK and Irish business supplies market in 2020. These three key factors have been reviewed in detail and while COVID and BREXIT may be more relevant to the next few months these factors have been allowed for in our forecast model.

The assessment made recognises the inherent uncertainty associated with any forecasting at the present time, and, whilst the directors believe that trading performance will remain robust, the scenarios prepared have included consideration of the impact of the factors noted above.

As part of our assessment of the going concern assumption the Group has prepared a forecast that shows, taking account of reasonably possible changes in trading performance and the factors noted above, that the group is capable of operating within the level of its current facilities for a period of at least twelve months from the date of signature of these financial statements.

In assessing the appropriateness of the going concern assumption, the directors have considered the ability of the group to meet the covenants and maintain adequate liquidity through the forecast period.

Sensitivities have been modelled to understand the impact of the risk factors outlined above on the covenants and cash headroom. In particular, we have tested various sale/day and return to work scenarios, which we consider to be the most judgemental assumptions given the impact of COVID and the work from home guidance. Taking into account reasonable sensitivities, the forecast continues to demonstrate adequate headroom across all covenant tests over the forecast period.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006
The Board of Directors consider that in the decisions taken during the year ended 31 December 2020, they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to (amongst other matters):

- the likely consequences of any decision in the long term;
- the interests of the Company’s employees;
- the need to foster the Company’s business relationships with suppliers, customers and others;
- the impact of the Company’s operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and;
- the need to act fairly as between members of the Company.

Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.

Our decisions are made to have a long-term beneficial impact on the Company and to contribute to the Company’s success. Our decisions take into account the impact of the company's operations on the community and environment, and our wider societal responsibilities.

As discussed on page 5, the Directors refinanced the Group during 2020. The Board will continue to review the funding structure of the Group, but the Directors are pleased to have secured committed facilities for the next three years and are of the view that the Group now has an appropriate financial structure in place moving forward.

Ongoing investments in e-commerce, our transport network, range expansion and market share position during the year have positioned the Group well to take advantage of any future market transformation both organically and via mergers and acquisition.

STRATEGIC REPORT (CONTINUED)

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (Continued)

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

We also aim to act responsibly and fairly in how we engage and co-operate with all of our other primary stakeholders - our suppliers, debt providers, and shareholders - all of whom are integral to the success of the Group.

During 2020 we have held regular online updates with employees, suppliers and customers to keep these key stakeholders updated throughout this period. During a period where many employees have been working from home we have found Microsoft TEAMS to be a powerful communication device to enable regular face to face conversations, albeit digital, to continue with all stakeholders.

In early 2021 we have performed a further staff survey and we are now in the process of acting on the key points arising. We are also utilising our Company intranet site as a forum for discussion and sharing information with our employees.

Approved by order of the board

A. P. Gale
Chief Financial Officer
1st Floor
1 Europa Drive
Sheffield
S9 1XT

31 August 2021

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2020.

Principal Activity
The principal activity of the Group is the sale of business supplies and services, which is accomplished through a number of UK and Irish sales channels, both indirect, via resellers and major retail outlets, and direct to large corporate and public sector customers.

Directors
The directors who held office during the year and (except as noted) subsequent to the balance sheet date were as follows:

S Thomson (resigned 30 July 2020)
A P Gale
S Haworth
K A Williamson (resigned 11 June 2020)
G M Stokes (appointed 1 January 2021)
A Ross (resigned 30 April 2021)
J C M Woolley (appointed 30 April 2021)

The Group has taken out directors and officers liability insurance on behalf of all directors and officers of the Company.

Going Concern and Financial Risk Management Objectives and Policies
The directors set out in the Strategic Report:

- the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company; and
- the financial risk management objectives and policies of the Company.

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 wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

During the year, employees have been provided with information about the Company through our internal intranet website. Regular meetings are held between local management and employees to allow a free flow of information and these are complemented by monthly briefings from the Chief Executive Officer or other members of the senior management team.

Environmental, Social and Governance Performance Management
Corporate responsibility is an integral part of our EVO values. Our corporate responsibility strategy is underpinned by our commitment to the environment. Our aim is to continually reduce the impact we have on the environment in (i) the work place; (ii) the market place; and (iii) in our community.

Our trading companies currently:

- Work closely with their suppliers and customers to source products that meet high environmental standards
- Are implementing our carbon emissions reduction plan
- Use Cardboard shipping boxes for all orders, fully recyclable and made from 100% recycled paper
- Recycle waste
- Are actively seeking out better packaging solutions
- Are reducing their use of single use plastics
- Use 100% recycled printer paper
- Are members of the Distributor Electrical Take Back Scheme
- Recycle printer inks, electrical items and consumables
- Donate any unwanted furniture and stock to charities

Environmental, Social and Governance Performance Management (Continued)

- Hold ISO 14001 accreditation

We encourage all our employees to get involved, whether that means raising money for charities, volunteering or enhancing our contribution to the environment, for example, all our employees are entitled to devote one working day a year to supporting a volunteering project they choose.

Energy and Carbon Reporting
The Group aims to minimise the lasting impact of its operations on the environment. We monitor closely our electricity, gas and fuel usage. The following tables detail energy consumption and greenhouse gas emissions (GHG) from the activities of the Group during the period January 2020 to December 2020. Our greenhouse gas emissions, reportable under SECR during the period specified above, were 10,075 tonnes CO_2e. This figure has been calculated using the UK Government's most recent CHG Conversion Factors for Company Reporting (2020). This is in line with standard industry practice and allows fair comparison with other UK businesses.

This figure includes all the material Scope 1 and Scope 2 emissions, required to be disclosed by the specified legislation, plus additional Scope 3 emissions.

The following figures make up the baseline reporting for Group, as 2020 is the first year that the Group is required to report this information. Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets. Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations. Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For the EVO Group, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

The total consumption (kWh) figures for energy supplies reportable by the Group are as follows:

Utility and Scope	Total Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	5,050,666
Gaseous and other fuels (Scope 1)	5,105,187
Transportation (Scope 1 and 3)	32,889,494
Total	**43,045,347**

The total emission (tCO2e) figures for energy supplies reportable by the Group are as follows:

Utility and Scope	Total Emissions (tCO2e)
Grid-Supplied Electricity (Scope 2)	1,226
Gaseous and other fuels (Scope 1)	939
Transportation (Scope 1 and 3)	7,910
Total	**10,075**

An intensity metric of tCO2e per £m turnover has been applied for the annual total emissions of the Group. The result of this analysis is as follows:

Intensity Metric	Total Intensity Metric
tCO2e / £m	21.2

DIRECTORS' REPORT (CONTINUED)

Energy and Carbon Reporting (Continued)

Reporting Boundary, Methodology and Exclusions

We have reported on all sources of GHG emissions and energy usage, associated emissions, energy efficiency actions and energy performance for EVO Group Limited, under the government policy Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.. There are no material omissions from the mandatory reporting scope. The reporting period is January 2020 to December 2020, as per the financial statements.

Energy Efficiency Initiatives

The Group is committed to year-on-year improvements in the operational energy efficiency with our warehouses an initial focus area. In 2019 we implemented an LED lighting installation project in our Banner, Normanton warehouse and in 2020 we have undertaken a similar project at our Vow, Lutterworth warehouse.

Engagement with Suppliers, Customers and Others

Details of engagement with suppliers, customers and others can be found in the section 172(1) statement on page 7 of the Strategic Report.

Political Donations

No political donations were made during 2020 or 2019.

Future Developments and Events after the Balance Sheet Date

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Dividends

No interim dividend was paid during the year, (2019: £nil), and the directors recommend that no final dividend be declared, (2019: £nil). Accordingly, the retained loss of £2.2 million (2019: retained loss of £5.8 million) will be transferred to reserves.

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP was appointed as auditor during the year. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by order of the board

A. P. Gale
Chief Financial Officer
1st Floor, 1 Europa Drive
Sheffield, S9 1XT

31 August 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 MEMBERS OF EVO BUSINESS SUPPLIES LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of EVO Business Supplies Limited (the 'company'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statement of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies;
- the related notes 1 to 26.

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 respect of these matters.

Responsibilities of directors

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

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

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Health & Safety, data protection, employment law and anti-bribery legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

We consider the key risk in respect of revenue recognition to be in relation to the accuracy and completeness of rebates accruals and deductions of customer allowances and promotional or commercial discounts in the correct period, In response to this risk, we substantively test the impact on sales of rebate agreements during the year and the adequacy of provisions for customer rebates recognised at year end for unsettled amounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVO BUSINESS SUPPLIES LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Kate Darlison

Kate Darlison FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

31 August 2021

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2020

		Year ended 31 December 2020			Year ended 31 December 2019		
£ million	Note	Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total
TURNOVER	3	455.8	-	455.8	439.9	-	439.9
Cost of sales		(347.5)	-	(347.5)	(339.5)	-	(339.5)
Gross profit		108.3	-	108.3	100.4	-	100.4
Operating expenses (net)	4	(107.6)	(4.2)	(111.8)	(100.5)	(3.4)	(103.9)
Other operating income	6	2.7	-	2.7	-	-	-
Operating profit / (loss) before amortisation of goodwill and depreciation		10.2	(4.2)	6.0	6.3	(3.3)	3.0
Depreciation and impairment of tangible fixed assets	12	(3.2)	-	(3.2)	(3.0)	-	(3.0)
Amortisation of goodwill and intangible assets	11	(3.6)	-	(3.6)	(3.4)	(0.1)	(3.5)
OPERATING PROFIT / (LOSS)		3.4	(4.2)	(0.8)	(0.1)	(3.4)	(3.5)
Finance costs (net)	8	(2.5)	-	(2.5)	(2.9)	-	(2.9)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	9	0.9	(4.2)	(3.3)	(3.0)	(3.4)	(6.4)
Tax on loss	10	1.1	-	1.1	0.6	-	0.6
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR		2.0	(4.2)	(2.2)	(2.4)	(3.4)	(5.8)

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

£ million	Note	Year ended 31 December 2020	Year ended 31 December 2019
Loss for the financial year		(2.2)	(5.8)
Actuarial gain / (loss) relating to the pension schemes	23	4.3	(0.6)
Movement on deferred tax relating to pension asset		(0.9)	-
Other comprehensive income / (expense)		3.4	(0.6)
Total comprehensive income / (expense)		1.2	(6.4)

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

EVO BUSINESS SUPPLIES LIMITED

CONSOLIDATED BALANCE SHEET

31 December 2020

£ million	Note	2020	2019
FIXED ASSETS			
Goodwill	11	27.7	28.6
Customer relationships, tradenames and patents	11	10.0	11.2
Intangible assets		37.7	39.8
Tangible assets	12	6.8	8.5
Pension asset	23	5.6	3.4
		50.1	51.7
CURRENT ASSETS			
Stock	14	41.1	44.4
Debtors due within one year	15	99.3	92.7
Cash at bank and in hand		0.8	2.0
		141.2	139.1
CREDITORS: Amounts falling due within one year	16	(167.4)	(171.2)
NET CURRENT LIABILITIES		(26.2)	(32.1)
TOTAL ASSETS LESS CURRENT LIABILITIES		23.9	19.6
CREDITORS: Amounts falling due after more than one year	17	(17.3)	(12.5)
PROVISIONS FOR LIABILITIES	18	(5.4)	(7.1)
NET ASSETS		1.2	-
CAPITAL AND RESERVES			
Called-up share capital	20	36.2	36.2
Profit and loss account	20	(39.5)	(40.7)
Merger reserve	20	4.5	4.5
SHAREHOLDERS' FUNDS		1.2	-

These financial statements were approved by the Board of Directors and authorised for issue on 31 August 2021.

Signed on behalf of the Board of Directors

S. Haworth
Director

A. P. Gale
Director

Company registered number: 09060494

The accompanying notes are an integral part of this consolidated balance sheet.

COMPANY BALANCE SHEET

31 December 2020

£million	Note	2020	2019
FIXED ASSETS			
Investments	13	37.2	37.2
CURRENT ASSETS			
Debtors due within one year	15	1.4	1.0
		1.4	1.0
CREDITORS: Amounts falling due within one year	16	(14.0)	(11.0)
NET CURRENT LIABILITIES		(12.6)	(10.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		24.6	27.2
CREDITORS: Amounts falling due after one year	17	-	(2.4)
NET ASSETS		24.6	24.8
CAPITAL AND RESERVES			
Called-up share capital	20	36.2	36.2
Profit and loss account	20	(11.6)	(11.4)
SHAREHOLDERS' FUNDS		24.6	24.8

The loss and total comprehensive expense for the financial year dealt within the financial statements of the parent Company was £0.2m (2019: loss and total comprehensive expense of £0.2m).

These financial statements were approved by the Board of Directors and authorised for issue on 31 August 2021.

Signed on behalf of the Board of Directors

S. Haworth

Director

A. P. Gale

Director

Company registered number: 09060494

The accompanying notes are an integral part of this company balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2020

£million	**Share capital (note 20)**	**Merger reserve**	**Profit and loss account**	**Total**
At 1 January 2019	36.2	4.5	(34.3)	6.4
Loss for the financial year	-	-	(5.8)	(5.8)
Other comprehensive expense for the financial year	-	-	(0.6)	(0.6)
Total comprehensive expense	-	-	(6.4)	(6.4)
At 31 December 2019	36.2	4.5	(40.7)	-
Loss for the financial year	-	-	(2.2)	(2.2)
Other comprehensive income for the financial year	-	-	3.4	3.4
Total comprehensive income	-	-	1.2	1.2
At 31 December 2020	36.2	4.5	(39.5)	1.2

COMPANY STATEMENT OF CHANGES IN EQUITY

31 December 2020

£million	Note	Share capital (note 20)	Profit and loss account	Total
At 1 January 2019		36.2	(11.2)	25.0
Loss and total comprehensive expense for the financial year		-	(0.2)	(0.2)
At 31 December 2019		36.2	(11.4)	24.8
Loss and total comprehensive expense for the financial year		-	(0.2)	(0.2)
At 31 December 2020		36.2	(11.6)	24.6

EVO BUSINESS SUPPLIES LIMITED

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2020

£ million	Note	Year Ended 31 December 2020	Year Ended 31 December 2019
Net cash inflows from operating activities	21a	16.0	3.7
Cash flow from investing activities			
Purchase of tangible assets		(1.5)	(1.7)
Purchase of subsidiary undertakings		(1.5)	(3.5)
Cash acquired with subsidiary undertakings		-	1.4
Net cash used in investing activities		(3.0)	(3.8)
Cash flow from financing activities			
Investor credit facility		-	4.0
Repayment of loan notes		(1.2)	-
Term loan		9.0	-
Invoice financing facility		(12.3)	(2.4)
Repayment of invoice financing facility		(56.6)	-
Proceeds from invoice financing facility		47.6	-
Financing costs		(0.7)	-
Net cash used from financing activities		(14.2)	1.6
Net (decrease) / increase in cash and cash equivalents		(1.2)	1.5
Cash and cash equivalents at the beginning of the year		2.0	0.5
Cash and cash equivalents at the end of the year		0.8	2.0
Cash and cash equivalents consists of:			
Cash at bank and in hand		0.8	2.0
Cash and cash equivalents	21b	0.8	2.0

The accompanying notes are an integral part of this consolidated cash flow statement.

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period dealing with items which are considered material in relation to the Group's financial statements is given below.

General information and basis of accounting

EVO Business Supplies Limited is a company incorporated in England and Wales in the United Kingdom under the Companies Act 2006. The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of EVO Business Supplies Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

EVO Business Supplies Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition.

No profit and loss account is presented for EVO Business Supplies Limited as provided by Section 408 of the Companies Act 2006.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further detail is given in the Strategic Report on page 5.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, whether positive or negative, is disclosed as an intangible asset and is valued at cost. Positive goodwill is amortised over 5 to 20 years based on an assessment of the most appropriate useful economic life. These lives have been reviewed in striking these financial statements. Negative goodwill up to the fair value of non-monetary assets acquired is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

1. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Customer relationships

Customer relationships are recognised as intangible assets at the fair value on acquisition less provisions for amortisation and impairment. The fair value attributed to the customer relationships acquired through the acquisition of the o2o Group is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted, post tax, weighted average cost of capital at the time of the acquisition for that business combination. The residual values of customer relationships are assumed to be £nil. Amortisation is provided so as to write off the cost of the customer relationships over the expected economic lives of the asset in equal annual instalments as follows:

Customer relationships arising on the acquisition of the cash generating units (CGUs):

Banner	15 years

Tradenames

Tradenames are recognised as intangible assets at the fair value on acquisition less provisions for amortisation and impairment. The fair value attributed to the tradenames acquired through the acquisition of the o2o Group is determined by discounting the expected future cash flows that would be generated by a royalty stream in respect of the tradenames, at the risk adjusted, post tax, weighted average cost of capital at the time of the acquisition for that business combination. The residual values of tradenames is assumed to be £nil. Amortisation is provided so as to write off the cost of the tradenames over the expected economic lives of the asset in equal annual instalments as follows:

Banner	5 years

Patents

Patents are recognised as intangible assets at the fair value acquisition less provisions for amortisation and impairment. The fair value attributed to patents acquired through the acquisition of the o2o Group is determined by discounting the expected future cash flows that would be generated by a royalty stream in respect of the patents, at the risk adjusted, post tax, weighted average cost of capital at the time of the acquisition for that business combination. The residual values of patents is assumed to be £nil. Amortisation is provided so as to write off the cost of the patents over the expected economic lives of the asset in equal annual instalments as follows:

Banner	17 years

Tangible fixed assets

Tangible fixed assets are stated at original cost, net of depreciation and any provision for impairment.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land	not depreciated
Freehold buildings	over 40 years
Leasehold improvements	over the lease term
Plant and equipment	10% to 33% of cost per annum
Fixtures and fittings	20% of cost per annum

Assets in the course of construction are not subject to depreciation until ready for use.

Residual values are initially calculated on prices prevailing at the date of acquisition, but are reviewed annually for reasonableness.

1. ACCOUNTING POLICIES (CONTINUED)

Investments

Fixed asset investments are shown at cost less provision for impairment.

Impairment

The carrying amount of an asset is compared with its recoverable amount and, if the carrying amount is higher, the asset is written down.

Recoverable amount is defined as the higher of the amount that could be obtained by selling the asset (net realisable value) and the amount that could be obtained through using the asset (value in use). Value in use is calculated by forecasting the cash flows that the asset is expected to generate and discounting them to their present value. Where individual assets do not generate independent cash flows, a group of assets (an income-generating unit) is tested for impairment.

Impairment tests are performed when there has been some indication that an impairment has occurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Goods for resale are valued at purchase cost on an average price basis and include costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and, therefore, recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs

The Group provides pensions through both defined benefit and defined contribution schemes. The amount charged to the profit and loss account represents the Group contributions payable in the year.

Vow Europe Limited operates the John Heath (Holdings) Limited defined benefit scheme. This scheme was closed on 30 June 2000 and members' rights were frozen. As a consequence, there is no current service cost. Subsequently no new entrants have been or will be admitted. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The defined benefit scheme is externally funded, with the assets of the scheme held separately from those of the Group in a separate trustee administered fund. Pension scheme assets are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. Any defined benefit asset arising is only recognised to the extent it is deemed recoverable.

Banner Group maintains a defined benefit pension scheme for former employees of Her Majesty's Stationery Office, which requires contributions to be made to a separately administered fund. The scheme is closed to new members. The scheme closed to future accrual on 31 December 2011. The scheme is administered by trustee directors of Banner Business Supplies (Pensions) Limited, which is a wholly owned subsidiary of EVO Business Supplies Limited.

The net surplus or deficit of the defined benefit pension schemes are calculated in accordance with FRS 102, based on the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are determined in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related pension liability.

Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognised asset is limited to that for which the Group can benefit in future, for example, by refunds or a reduction in contributions.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the Profit and Loss Account. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

A valuation is performed annually by an independent actuary. Further details in respect of the assumptions used in providing the valuation are included in note 24 to the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

Since 30 September 1996, all new employees have been eligible to join the Group's personal pension scheme, which is a defined contribution scheme. Contributions to defined contribution arrangements are charged to the income statement in the period in which they fall due. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Hire purchase commitments and operating leases

Assets held under hire purchase or finance lease contracts that transfer substantially all the risks and rewards of ownership are capitalised and depreciated over their useful lives. The capital element of the related liability is included in creditors. The interest element is charged to the profit and loss account so as to produce a constant periodic rate of charge on the capital outstanding. Rentals in respect of all operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance. Transactions which may give rise to exceptional items are principally restructuring related and business start-up costs, costs in respect of key management changes, transaction costs incurred in respect of business combinations and gains or losses on disposal of trading activities.

Onerous leasehold property contracts

In accordance with the requirements under FRS 102, the group has made provision in respect of onerous leasehold property contracts. Further information on the movements in this provision is given in note 19.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the profit and loss account. Forward contracts are used to manage the volatility in exchange rates.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Government grant and non-recurring costs

Government grants are recognised when there is a reasonable assurance that conditions attached to the grant will be met and that the grant will be received. The grant is recognised over the period necessary to match them on systematic with the associated costs they are intended to compensate. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the year.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Revenue recognition and customer rebate agreements

The Group's pricing structure involves rebate agreements with a significant number of its customers. These can be complex in nature and involve estimate and judgement in determining the required level of provision for rebate liabilities.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Defined benefit pension schemes

The Group operates two defined benefit pension schemes and thus has an obligation to pay pension benefits to certain past employees. The cost of these benefits and the present value of the obligations depend on a number of factors, including; life expectancy, asset valuations and the discount rates on corporate bonds. Management, with the assistance of a qualified actuary, estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Management considers the key assumption to be the discount rate applied. In determining the appropriate discount rate, the Group considers the interest rate of high quality corporate bonds. If the discount rate increased by 0.25% this would decrease the Group's gross pension scheme liabilities by £2.0m as disclosed in note 24.

3. TURNOVER

Turnover comprises the value of sales (excluding VAT and similar taxes) of goods and services in the normal course of business net of trade discounts and is recognised on despatch.

The turnover and operating profit is attributable to one activity, namely that of the sale of business supplies, which is accomplished through a number of sales channels - primarily through a national reseller network, but also direct to customers and through major retail outlets.

Turnover predominantly arises on sales made within the United Kingdom and Ireland.

£ million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
United Kingdom	408.9	395.2
Republic of Ireland	46.3	44.0
Rest of Europe	0.5	0.6
Rest of World	0.1	0.1
	455.8	439.9

4. OPERATING EXPENSES (NET)

£ million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Distribution costs	52.3	50.5
Administrative expenses	52.7	46.9
Depreciation and impairment of tangible fixed assets	3.2	3.0
Amortisation of intangible assets and goodwill	3.6	3.5
	111.8	103.9

5. EXCEPTIONAL ITEMS

£million	Year ended 31 December 2020	Year ended 31 December 2019
Strategic planning costs	0.8	1.3
Refinancing costs	0.8	-
Reorganisation costs	0.7	0.7
Competitor failure	0.8	-
Integration costs	0.5	-
Supplier advance	0.3	-
Acquisition costs	0.3	0.2
Bad debt write off	-	0.6
Investment in Banner MPS	-	0.6
Onerous lease charge	-	0.2
Goodwill impairment	-	0.1
Dilapidations (credit) / charge	-	(0.3)
Total exceptional cost	4.2	3.4

Strategic planning costs reflect expenditure incurred with external advisors and Group shareholders in the development, establishment and execution of the Group strategic plan.

The refinancing costs reflect fees incurred in relation to the Group refinancing undertaken in December 2020.

The reorganisation costs in the year reflect the restructuring of the business. The prior year costs relate to the cost of redundancies arising from the restructuring of both the Vow and Banner teams.

The Spicers/Office Team business, failed into administration during 2020. As a direct result EVO incurred a significant loss of £0.8m, as current and future rent has not, and will not, be paid related to our Croydon location, which Office Team was using as a HQ/Warehouse (£0.7m onerous lease charge) and we incurred a £0.1m bad debt charge in our Premier Vanguard business, which had been trading with Office Team.

Integration costs related to costs incurred in the transfer of the Staples Contract and Online trading to the EVO Group arising from the acquisition of Banner Advantage Limited on 3 October 2020.

During the year advance payments were made to a supplier for hygiene related products in response to the demand resulting from the COVID-19 pandemic. The product was never received by the business nor the payment refunded. The likelihood of recoverability is considered to be extremely remote.

Acquisition costs relate to legal and professional charges incurred in relation to the Banner Advantage acquisition. The prior year costs relate to the Premier Vanguard acquisition.

The bad debt charge reflects the write off, of an unrecoverable balance from a Vow customer that failed into administration during the financial year.

The investment in Banner MPS reflects the initial start up costs and expenditure incurred in relation to the Managed Print Solutions business that commenced in 2019 and was subsequently curtailed in the prior year.

The onerous lease reflects the movement on the unexpired contractual liability on vacant locations discounted to the year end.

The goodwill associated with the WA Office Needs acquisition was fully written off in the prior year as the underlying trade and assets do not support any carrying value.

The prior year dilapidations credit reflects reassessment of the provision for discounted future termination costs at certain vacated sites.

6. STAFF NUMBERS AND EXPENSES

The average monthly number of persons employed by the Group (including executive directors) during the year was as follows:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Distribution and warehousing	956	909
Sales and administration	780	765
	1,736	1,674

Their aggregate remuneration comprised:

£million	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	52.6	51.0
Social security costs	3.9	3.7
Other pension costs	1.5	1.3
	58.0	56.0

During the period, the Group received £2.7m (2019: £nil) grant income from the UK Government's Coronavirus Job Retention Scheme, this income is shown in the Income Statement as Other Operating Income. The above salary costs are shown gross of this income.

7. REMUNERATION OF DIRECTORS

Remuneration of the directors, included in note 6, was as follows:

£million	Year ended 31 December 2020	Year ended 31 December 2019
Emoluments	0.6	0.7
Company contribution to money purchase pension schemes	-	-
	0.6	0.7

Pensions

One of the directors (2019: one) was a member of a defined contribution scheme.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

£million	Year ended 31 December 2020	Year ended 31 December 2019
Emoluments	0.3	0.3

8. FINANCE COSTS (NET)

£million	Year ended 31 December 2020	Year ended 31 December 2019
Interest payable and similar charges	2.5	2.9

Interest payable and similar charges

£million	Year ended 31 December 2020	Year ended 31 December 2019
Invoice finance facility	1.6	2.0
Investor credit facility	0.3	0.2
Investor loans	0.2	0.1
Loan notes	0.2	0.2
Amortisation of debt issue costs	0.1	0.1
Other	0.1	-
Amex customer facility	-	0.3
	2.5	2.9

Interest on the investor loans and loan notes is added to the balances and is not paid during the term. This is discussed further in note 17 and the cash interest paid in the year is shown in note 21.

9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

£million	Year ended 31 December 2020	Year ended 31 December 2019
Is stated after charging / (crediting):		
Impairment of stock recognised as an expense	1.5	0.1
Depreciation of tangible fixed assets:		
Owned assets	3.2	3.0
Amortisation of positive goodwill	2.4	1.9
Amortisation of intangible assets	1.2	1.5
Foreign exchange loss / (gain)	0.6	(0.8)
Operating lease rentals:		
Plant and machinery	4.0	4.1
Property	6.2	6.2
Auditor's remuneration for audit services:		
Fees payable to the company's auditor for the audit of the company's financial statements	-	-
Fees payable to the company's auditor and their associates for other services to the group		
The audit of the company's subsidiaries pursuant to legislation	0.1	0.1
Auditor's remuneration for non-audit services:		
Taxation - compliance	0.1	0.1

Fees payable to Deloitte LLP for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

No services were provided pursuant to contingent fee arrangements.

10. TAX ON LOSS

Analysis of tax credit on loss on ordinary activities:

£million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Current tax		
United Kingdom corporation tax at 19.00% (2019: 19.00%) based on the loss for the year:	-	-
Adjustments in respect of prior periods	-	-
Total current taxation charge	-	-
Deferred tax		
Origination and reversal of timing differences	(0.2)	(0.7)
Effect of tax rate change on opening balance	(1.0)	-
Adjustment in respect of prior periods	0.1	0.1
Total deferred tax credit	(1.1)	(0.6)
Tax credit on loss on ordinary activities	(1.1)	(0.6)

The standard rate of tax applied to reported profit is 19 per cent (2019: 19 per cent). The applicable tax rate changed following the substantive enactment of the Finance Act 2020. During the year beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £0.9m This is due to the availability of tax losses and capital allowances to offset against future taxable profits.

10. TAX ON LOSS (CONTINUED)

The differences between the total tax and the amount calculated by applying the average standard rate of UK corporation tax to the loss before tax is as follows:

£million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Loss on ordinary activities before tax	(3.3)	(6.4)
Tax credit on loss on ordinary activities at the average standard UK corporation tax rate of 19.00% (2019: 19.00%)	(0.6)	(1.2)
Effects of:		
Expenses not deductible for tax purposes	0.9	0.8
Amounts relating to other comprehensive income	(0.1)	(0.1)
Adjustments in respect of prior periods	0.1	0.1
Remeasurement of deferred tax for changes in tax rates	(1.0)	-
Movement in deferred tax not recognised	(0.4)	(0.2)
Total tax credit	(1.1)	(0.6)

11. INTANGIBLE FIXED ASSETS

Group *£million*	Customer Relationships	Tradenames	Patents	Positive Goodwill	Negative Goodwill	Total
Cost						
At 1 January 2020	16.2	2.1	0.9	39.6	(9.1)	49.7
Additions	-	-	-	1.5	-	1.5
At 31 December 2020	16.2	2.1	0.9	41.1	(9.1)	51.2
Accumulated depreciation						
At 1 January 2020	(5.6)	(2.1)	(0.3)	(11.0)	9.1	(9.9)
Charge for the year	(1.1)	-	(0.1)	(2.4)	-	(3.6)
At 31 December 2020	(6.7)	(2.1)	(0.4)	(13.4)	9.1	(13.5)
Net book value						
At 31 December 2020	9.5	-	0.5	27.7	-	37.7
At 31 December 2019	10.6	-	0.6	28.6	-	39.8

No intangible assets are recorded in the financial statements of the company.

Additions in the year reflect acquisitions of Banner Advantage Limited on 3 October 2020. See note 24 for further details.

12. TANGIBLE FIXED ASSETS

Group *£million*	Leasehold improvements	Plant and equipment	Assets in the course of construction	Total
Cost				
At 1 January 2020	3.0	28.5	0.5	32.0
Additions	-	-	1.5	1.5
Transfers	-	1.4	(1.4)	-
Disposals	-	-	-	-
At 31 December 2020	3.0	29.9	0.6	33.5
Accumulated depreciation				
At 1 January 2020	(1.5)	(22.0)	-	(23.5)
Charge for the year	(0.1)	(3.1)	-	(3.2)
Disposals	-	-	-	-
At 31 December 2020	(1.6)	(25.1)	-	(26.7)
Net book value				
At 31 December 2020	1.4	4.8	0.6	6.8
At 31 December 2019	1.5	6.5	0.5	8.5

Assets in the course of construction relate to plant and equipment.

Company

The Company holds no tangible fixed assets.

13. FIXED ASSET INVESTMENTS

£million	2020	2019
Cost		
At 1 January and 31 December	43.4	43.4
Impairment		
At 1 January and 31 December	(6.2)	(6.2)
Carrying Value		
At 1 January	37.2	37.2
At 31 December	37.2	37.2

The Directors' consider that the carrying value of the investment is supported by the value of the underlying assets.

Items marked with * are indirectly held through a subsidiary entity.

Subsidiary undertakings	**Country of registration or incorporation**	**Principal activity**	**Percentage of shares held**
EVO Group Services Limited	England & Wales	Holding company	100%
Vow Europe Limited*	England & Wales	Trading company	100%
Vow Retail Limited*	England & Wales	Trading company	100%
Banner Group Limited*	England & Wales	Trading company	100%
Banner Business Solutions Limited*	England & Wales	Trading company	100%
Business Office Supplies Limited*	England & Wales	Trading company	100%
Premier Vanguard Limited*	England & Wales	Trading company	100%
Banner Advantage Limited*	England & Wales	Trading company	100%
Midas Paper Converters Limited*	England & Wales	Holding company	100%
Truline Logistics Limited*	England & Wales	Dormant company	100%
Vow Wholesale (Ireland) Ltd*	Republic of Ireland	Dormant company	100%

The registered address of all subsidiary undertakings is 1st Floor, 1 Europa Drive, Sheffield, S9 1XT, with the exception of Vow Wholesale (Ireland) Limited whose registered office is Molyneux House, Bride Street, Dublin, Ireland.

14. STOCKS

£million	Group 2020	Company 2020	Group 2019	Company 2019
Goods held for resale	41.1	-	44.4	-

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost. Inventories are stated after provisions for impairment of £1.8m (2019: £0.9m).

15. DEBTORS

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Amounts falling due within one year:				
Trade debtors	75.8	-	71.4	-
Prepayments and accrued income	10.6	-	8.0	-
Deferred tax asset	9.6	-	8.8	-
Other debtors	3.3	-	4.5	-
Amounts owed by group undertakings	-	1.4	-	1.0
	99.3	1.4	92.7	1.0

Trade debtors are stated after provisions for impairment of £0.9m (2019: £0.7m).

Deferred Tax

The deferred tax asset arises as a consequence of timing differences between the recognition of certain items for tax compared to their recognition under generally accepted accounting practice. An analysis of the deferred tax asset is provided below.

£million	Asset 2020	Asset 2019
Accelerated capital allowances	5.6	6.0
Short term timing differences	0.2	-
Losses	3.6	2.3
Pensions	0.2	0.5
	9.6	8.8

15. DEBTORS (CONTINUED)

Deferred Tax (continued)

£million	**Asset 2020**	**Asset 2019**
At 1 January	8.8	8.2
Credited to the profit and loss account	1.1	0.6
Charged to other comprehensive income	(0.3)	-
At 31 December	9.6	8.8

The deferred tax asset in respect of losses is supported by forecasts demonstrating anticipated recovery in the short term.

It is expected that £0.9m of the group deferred tax asset will reverse in the year ended 31 December 2021. The expected deferred tax reversal is a result of available tax losses and capital allowances to offset against future taxable profits.

There is an unprovided deferred tax asset of £3.0 million (2019: £3.9 million) relating to tax losses as it is not anticipated that this will be recovered in the short term.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	**Group 2020**	**Company 2020**	**Group 2019**	**Company 2019**
Trade creditors	73.2	-	82.1	-
Invoice finance facility	33.0	-	57.3	-
Accruals and deferred income	22.3	-	9.2	-
Other taxation and social security	19.4	-	4.4	-
Other creditors	10.8	-	13.0	-
Investor credit facility (note 17)	4.0	-	4.0	-
Loan notes (note 17)	2.6	2.6	1.2	1.2
Deferred consideration	2.0	-	-	-
Corporation tax	0.1	-	-	-
Amounts owed to group undertakings	-	11.4	-	9.8
	167.4	14.0	171.2	11.0

Amounts owed to group undertakings are unsecured, carry no repayment date and are not subject to interest.

Following the imposition of the initial lockdown by the Government, the Company took advantage of the various initiatives to support businesses whilst trading activity was significantly impacted. As at 31 December 2020 £11.3m of the VAT payable balance and £1.4m PAYE had been deferred as part of such Government initiatives. The deferred amounts are payable during FY 2021.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Stock term loan	9.0	-	-	-
Deferred consideration	6.0	-	8.0	-
Investor loan	2.3	-	2.1	-
Loan notes	-	-	2.4	2.4
	17.3	-	12.5	2.4

Loans and other borrowings are repayable as follows:

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Loan Notes				
Within one year	2.6	2.6	1.2	1.2
Between one and two years	-	-	2.4	2.4
	2.6	2.6	3.6	3.6

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Investor Credit Facility				
Within one year	4.0	-	4.0	-

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Investor Loan				
Between two and five years	2.3	-	2.1	-

£ million	Group 2020	Company 2020	Group 2019	Company 2019
Stock Term Loan				
Between two and five years	9.0	-	-	-

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Loan Notes

The loan notes incur interest at 7% per annum, which is added to the balance as incurred and rolled up. The termination date was extended from 25 February 2020 to 31 December 2021, repayable from 31 July 2020 to 31 December 2021. This debt carries no covenants and ranks behind the invoice finance facility and the Investor Finance in terms of security. This debt is owed to current and previous management, and two former institutional investors.

Investor Credit Facility

The investor credit facility ranks behind the invoice financing facility in terms of security.

Investor Loan

The Endless investor loan, as noted above, replaced the senior bank loan, originally maturing on 31 December 2019 has been extended to 31 January 2022. The debt incurs interest at 7% per annum, but carries no cash cost or financial covenants.

Stock Term Loan

The term loan is secured against inventory, and a charge over the other assets of the business. Interest payable is charged at 12% above UK base rate, with the loan due for repayment on 22 December 2022.

18. PROVISIONS FOR LIABILITIES

£ million

Group

	Deferred Taxation	Dilapidations	Onerous Lease	Total
At 1 January 2020	0.5	2.7	0.8	4.0
Charged to other comprehensive income	0.6	-	-	0.6
Created	-	0.2	0.7	0.9
Utilised	-	(0.2)	(0.8)	(1.0)
At 31 December 2020	1.1	2.7	0.7	4.5
Provision for net defined benefit scheme deficit				0.9
Total				5.4

The deferred tax liability relates to the surplus in the John Heath defined benefit pension scheme.

The provisions for vacant leaseholds and dilapidations relate to total rent payable on vacant properties to the end of the lease less rental income receivable and managements' best estimate of the current cost to restore occupied properties to the state required in the leasehold agreement discounted at the group's cost of capital. The vacated leasehold provisions will be utilised as existing agreements unwind and dilapidation liabilities will be settled at the end of the respective lease. The underlying leasehold agreements expire between 2021 and 2033.

19. FINANCIAL INSTRUMENTS

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for euro currency payments. At 31 December 2020 and 31 December 2019 the were no outstanding contracts in place. Forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EUR.

The carrying values of the Company's financial assets and liabilities are summarised by category below:

£ million	**Group 2020**	**Company 2020**	**Group 2019**	**Company 2019**
Financial assets				
Measured at undiscounted amount receivable				
Trade debtors (see note 15)	75.8	-	71.4	-
Other debtors (see note 15)	3.3	-	4.5	-
Amounts owed by group undertakings (see note 15)	-	1.4	-	1.0
	79.1	1.4	75.9	1.0
Financial liabilities				
Measured at undiscounted amount payable				
Trade creditors (see note 16)	73.2	-	82.1	-
Invoice finance facility (see note 16)	33.0	-	57.3	-
Other creditors (see note 16)	10.8	-	13.0	-
Term loan (see note 17)	9.0	-	-	-
Investor credit facility (see note 16)	4.0	-	4.0	-
Loan notes (see note 16)	2.6	2.6	3.6	3.6
Investor loan (see note 17)	2.3	-	2.1	-
Amounts owed to group undertakings (see note 16)	-	11.4	-	9.8
	134.9	14.0	162.1	13.4

20. CALLED-UP SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid ***Group and Company***	**2020** **£m**	**2019** **£m**
1,470,858 Ordinary “A” Shares of £1 each	1.5	1.5
115,247 Ordinary “B” Shares of £1 each	0.1	0.1
72,422 Ordinary “C” Shares of £1 each	0.1	0.1
10,000 Ordinary “D” Shares of £0.01 each	-	-
10,000 Ordinary “E” Shares of £0.01 each	-	-
23,299,349 Preferred “A” Shares of £1 each	23.3	23.3
11,199,707 Preferred “B” Shares of £1 each	11.2	11.2
	36.2	36.2

The ordinary “A” shares carry voting rights but are not hold no contractual obligation exists to deliver cash or assets to the holder of the shares.

The ordinary “B”, “C”, “D”, and “E” shares carry no voting rights and do not hold any obligation to deliver cash or assets to the holder of the shares.

On any return of capital the ordinary shares rank below the preference shares.

The preference shares are classified as equity as no contractual obligation exists to deliver cash or assets to the holder of the shares. The preferred A shares rank above the preferred B shares in respect of any return on capital.

Group

The profit and loss reserve represents cumulative profits or losses.

The merger reserve arose following the acquisition of the Vasanta Group in 2014.

Company

The profit and loss reserve represents cumulative profits or losses.

21. CASH FLOW INFORMATION

a) Reconciliation of operating loss to operating cash flows

£ million	Year ended 31 December 2020	Year ended 31 December 2019
Operating loss	(0.8)	(3.5)
Adjustment for:		
Amortisation of goodwill and intangibles	3.6	3.5
Depreciation of tangible fixed assets	3.2	3.0
Decrease in provisions	(0.1)	(1.1)
Net pension contributions	(0.2)	(0.4)
Other non-cash changes	(0.1)	-
Operating cashflow before movement in working capital	5.6	1.5
Decrease in stocks	3.2	3.7
(Increase) / decrease in debtors	(5.7)	5.7
Increase / (decrease) in creditors	14.9	(4.8)
Cash generated by operations	18.0	6.1
Tax paid	(0.1)	-
Interest paid	(1.9)	(2.4)
Cash inflow from operating activities	16.0	3.7

b) Analysis of changes in net debt

£ million	At 1 January 2020	Cash flow	Other non-cash changes	At 31 December 2020
Cash in hand and at bank	2.0	(1.2)	-	0.8
Cash and cash equivalents	2.0	(1.2)	-	0.8
Invoice finance facility	(57.3)	21.3	3.0	(33.0)
Term loan	-	(9.0)	-	(9.0)
Investor loan	(2.1)	-	(0.2)	(2.3)
Investor credit facility	(4.0)	-	-	(4.0)
Management loan notes	(3.6)	1.2	(0.2)	(2.6)
Net debt	(65.0)	12.3	2.6	(50.1)

Non-cash movements relate to non cash paid interest and recognition and amortisation of issue costs relating to the debt issue.

22. COMMITMENTS AND CONTINGENT LIABILITIES

a) Operating leases

The Company had outstanding commitments for total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

£million	2020 Land and buildings	 Plant and equipment	 Total
Operating leases which expire:			
- within one year	0.8	0.6	1.4
- between one and five years	3.3	1.9	5.2
- after five years	20.0	-	20.0
	24.1	2.5	26.6

£million	2019 Land and buildings	 Plant and equipment	 Total
Operating leases which expire:			
- within one year	0.1	0.2	0.3
- between one and five years	8.1	5.5	13.6
- after five years	25.7	1.6	27.3
	33.9	7.3	41.2

b) Contracted Capital Commitments

At the end of the financial year no provision has been made for the following items:

£million	Group 2020	Company 2020	Group 2019	Company 2019
Contracted	-	-	-	-

c) Finance Leases

There were no commitments at the year end to enter into finance leases starting after the year end.

23. PENSIONS

The Group's principal pension schemes are defined contribution plans the assets of which are held and managed independently of the company. Participation in these schemes by employees is at the discretion of the individual following completion of a satisfactory length of service. Contributions during the year totalled £1,881,000 (2019: £1,727,000). At the end of the year, contributions of £256,000 (2019: £225,000), representing the unpaid contributions for December 2020, were outstanding.

Defined Benefit Schemes

In addition, the Group operates two defined benefit schemes, the John Heath (Holdings) Limited Pension Fund and the Banner Group scheme.

The net pension asset is as follows:

£ million	**2020**	**2019**
John Heath (Holdings) Scheme	5.6	3.4
Banner Group Scheme	(0.9)	(3.1)
Net Pension Asset	4.7	0.3

Vow Europe Limited is the sponsoring employer for the John Heath (Holdings) Limited Pension Fund. The following disclosures relate to the year ended 31 December 2020.

The latest full actuarial valuation was carried out on 31 July 2019 by XPS Pensions Group, a qualified independent actuary. The pension costs have been determined on the basis of the results of this valuation.

The most significant assumptions behind the calculations are as follows:

	At 31 December 2020	**At 31 December 2019**
Discount Rate	1.20%	1.95%
Rate of increase in pensions in payment	2.35%	2.35%
Price inflation	3.00%	3.05%
Life expectancy for 65 year old male retiring on 31 December	84.5	86.6
Life expectancy for 65 year old female retiring on 31 December	87.9	88.8
Life expectancy for 45 year old male retiring 20 years after 31 December retiring at 65 years old	85.1	87.6
Life expectancy for 45 year old female retiring 20 years after 31 December retiring at 65 years old	87.7	90.0

23. PENSIONS (CONTINUED)

The fair value of assets in the scheme were as follows:

£ million

	Value at 31 December 2020	Value at 31 December 2019	Value at 31 December 2018
Equities	5.3	4.9	6.7
Bonds	19.6	18.4	15.7
Other	0.1	0.2	0.1
Total	25.0	23.5	22.5

£ million	2020	2019
Total market value of assets	25.0	23.5
Present value of scheme liabilities	(19.4)	(20.1)
Pension asset	5.6	3.4

Analysis of net finance charge:

£ million	2020	2019
Expected return on pension scheme assets	0.5	0.6
Interest on pension scheme liabilities	(0.4)	(0.5)
Net finance credit	0.1	0.1

Analysis of the movement in scheme surplus during the year.

£ million	2020	2019
Scheme surplus brought forward	3.4	3.3
Other finance credit	0.1	0.1
Fund administrative cost	(0.2)	(0.1)
Actuarial gain / (loss)	2.4	0.1
Past service cost	(0.1)	-
Surplus in scheme	5.6	3.4

23. PENSIONS (CONTINUED)

Analysis of movement in scheme assets:

£ million	**2020**	**2019**
Scheme assets brought forward	23.5	22.5
Benefits paid	(0.9)	(0.7)
Expected return on assets	0.5	0.6
Fund administrative cost	(0.2)	(0.1)
Actuarial gain / (loss)	2.1	1.2
Assets in scheme at end of the year	25.0	23.5

Analysis of movement in present value of scheme liabilities:

£ million	**2020**	**2019**
Scheme liabilities brought forward	20.1	19.2
Interest cost	0.4	0.5
Benefits paid	(0.9)	(0.7)
Actuarial (gain) / loss on liabilities	(0.3)	1.1
Past service cost	0.1	-
Present value of scheme liabilities at end of the year	19.4	20.1

Following the latest actuarial valuation the Trustees have agreed that employer contributions are not required. Members do not contribute to the scheme.

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows:

£ million	**2020**	**2019**
Current service cost	0.2	0.1
Past service cost	0.1	-
Net interest credit	(0.1)	(0.1)
	0.2	-

23. PENSIONS (CONTINUED)

In addition, Banner Group Limited is the sponsoring employer for a defined benefit pension scheme, all the members of which were formerly employed by Her Majesty's Stationery Office and were members of the Principal Civil Service Pension Scheme who first elected to transfer funds accrued to The Stationery Office Limited Scheme and subsequently elected to transfer funds accrued to the BBS scheme.

The BBS scheme commenced on 1 August 2000, when the funds were transferred in by The Stationery Office Pension Scheme (TSOPS). The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme was closed to future accrual on 31 December 2011. Banner Group Limited became the sponsoring employer when the trade of Banner Business Seervices Limited transferred to Banner Group as part of our integration exercise.

The latest full actuarial valuation was carried out at 31 July 2019 and has provided the starting point for the calculation of the current position under FRS 102. The roll forward to the 31 December 2020, to allow for the passage of time, benefits paid out and changes in actuarial assumptions, has been performed by a qualified independent actuary.

The most significant assumptions behind the calculations are as follows:

	At 31 December 2020	**At 31 December 2019**
Discount Rate	1.25%	2.05%
Rate of increase in pensions in payment:		
- Transferred from TSOPS	2.05%	2.05%
- Earned in scheme	2.85%	2.90%
Price inflation	2.95%	3.00%
Life expectancy for 65 year old male retiring on 31 December	84.6	86.6
Life expectancy for 65 year old female retiring on 31 December	86.9	88.8
Life expectancy for 45 year old male retiring 20 years after 31 December retiring at 65 years old	85.3	87.6
Life expectancy for 45 year old female retiring on 31 December	87.9	90.0

The fair value of assets in the scheme were as follows:

£ million	**Value at 31 December 2020**	**Value at 31 December 2019**	**Value at 31 December 2018**
Equities	16.9	15.3	12.9
Bonds	7.5	5.7	5.5
Other	1.1	0.5	0.2
Total	25.5	21.5	18.6

23. PENSIONS (CONTINUED)

£ million	**2020**	**2019**
Total market value of assets	25.5	21.5
Present value of scheme liabilities	(26.4)	(24.6)
Pension liability	(0.9)	(3.1)

Analysis of net finance charge in the period:

£ million	**2020**	**2019**
Expected return on pension scheme assets	0.4	0.5
Interest on pension scheme liabilities	(0.5)	(0.6)
Net finance charge	(0.1)	(0.1)

Analysis of the movement in scheme deficit during the period:

£ million	**2020**	**2019**
Scheme brought forward deficit	3.1	2.8
Actuarial (gain) / loss	(1.9)	0.7
Employer contributions	(0.4)	(0.5)
Other finance cost	0.1	0.1
Deficit in scheme	0.9	3.1

Analysis of movement in scheme assets:

£ million	**2020**	**2019**
Scheme assets brought forward / on acquisition	21.5	18.6
Benefits paid	(0.3)	(0.2)
Expected return on assets	3.5	2.1
Interest income on scheme assets	0.4	0.5
Employer contributions	0.4	0.5
Assets in scheme at end of the year	25.5	21.5

23. PENSIONS (CONTINUED)

Analysis of movement in present value of scheme liabilities:

£ million	2020	2019
Scheme liabilities brought forward / on acquisition	24.6	21.4
Interest cost	0.5	0.6
Actuarial loss on liabilities	1.6	2.8
Benefits paid	(0.3)	(0.2)
Present value of scheme liabilities at end of the year	26.4	24.6

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows:

£ million	2020	2019
Net interest cost	0.1	0.1

24. ACQUISITIONS

On 3 October 2020, Banner Group Limited acquired 100% of the issued share capital of Banner Advantage Limited, the Staples contract and online business.

The acquisition has been accounted for under the acquisition method. The following table sets out the book value of the identifiable assets and liabilities acquired and their provisional fair values to the Group:

£'million	Book Value	Fair Value Adjustments	Fair Value to Company
Total Assets			
Inventory	8.4	(1.8)	6.6
	8.4	(1.8)	6.6
Total Liabilities			
Accruals	8.4	(1.8)	6.6
	8.4	(1.8)	6.6
Net Assets	-	-	-
Positive Goodwill			1.5
Purchase Consideration (cash £1.5m)			1.5

The book value of the assets and liabilities have been taken from the accounting records of Banner Advantage Limited at 3 October 2020 (the date of acquisition). The fair value adjustment reflects an agreed independent professional valuation of the inventory.

24. ACQUISITIONS (CONTINUED)

The total purchase consideration of £1.5m was paid on completion.

Following acquisition, the business has contributed revenue of £13.1m and a loss of £0.2m to the Group.

25. RELATED PARTY TRANSACTIONS

The total remuneration to key management, who are considered to be the Directors of the company, for the year totalled £0.6m (2019: £0.7m), being remuneration disclosed in note 7.

During the year management fees were charged by Endless LLP, considered to be related due to ownership, totalling £0.3m (2019: £0.3m) of which £nil was outstanding at 31 December 2020 (2019: £nil). Endless LLP act as a consultant for the EVO Group of companies. Interest charged on loans provided by Endless LLP is disclosed in note 8.

26. ULTIMATE CONTROLLING PARTY

At the balance sheet date, the ultimate controlling party of the group was Endless Fund III A Limited Partnership, Endless Fund III B Limited Partnership and Endless Fund III C Limited Partnership who own 82.65% of the group.