

Company Registration No. 02168309 (England and Wales)

ARENA GROUP LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



ARENA GROUP LIMITED

COMPANY INFORMATION

Directors	A Arthurton D Dyas
Secretary	R Pitceathly
Company number	02168309
Registered office	Armitage House Thorpe Lower Lane Robin Hood Wakefield WF3 3BQ

ARENA GROUP LIMITED

CONTENTS

	Page
Strategic report	1 - 2
<i>Directors' report</i>	3 - 4
Statement of comprehensive income	5
Balance sheet	6 - 7
Statement of changes in equity	8
Notes to the financial statements	9 - 24

ARENA GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Business review

Arena Group limited ("The Company") principal activities continues to be the supply and support of multi-functional devices, its own in-house developed electronic document management and workflow software, and other software solutions. It also offers outsourced bureau scanning and consultancy services.

Revenue for the year was £14.3m (2020: £12.8m). This YOY increase was due to an increase in the sales of goods revenue.

Profit on ordinary activities before taxation was £5.8m (2020: £3.8).

Net assets increased to £12.1m (2020: £11.0m).

As part of the acquisition of the Company by Xerox (UK) Limited, a re-mapping exercise of accounts took place in 2021 to align the revenue and costs in the same way as Xerox (UK) Limited. By doing this it provides a consistent approach to reporting within the Xerox (UK) Limited Group. As a result of this exercise there has been a significant movement between some of the cost lines of the profit and loss. Certain comparative figures have therefore been reclassified to conform to the current year presentation (See Note 23).

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company relate to competition from technology advances, employee retention, the challenging economic market and the success of implementing the 2022 strategy.

To manage and mitigate these risks, the Company offers a broad portfolio of document technology and solutions, continues to focus on cost control and the development of an improved working environment through continued training and development.

Prices, material costs and demand for the Company's products are influenced strongly by the United Kingdom's economic growth. Prices and costs can vary due to currency fluctuations, inflationary pressures and the uncertainties in the challenging economic environment which could have an adverse impact on turnover, earnings and cash flows.

Xerox Holdings Corporation, the Company's ultimate parent (Xerox /Xerox Group), makes significant long-term investments and commits significant resources into developing new high technology products and solutions in order to put the Company in the best possible competitive position.

The Company is exposed to the effects of the COVID-19 pandemic on our customers' businesses, including having office employees working from home and the duration and extent to which this will impact future results of our operations and overall financial position.

Supply chain constraints will provide further operational challenges to the Company.

Financial key performance indicators

The directors believe that the key performance indicators ("KPIs") are revenue growth and profitability.

Revenue increased by 11% from £12.8m in 2020 to £14.3m in 2021.

Gross profit declined from £6.6m to £6.2m resulting in a decrease in the gross margin to 43% (2020: 52%). This was mainly due to the sale of goods costs increasing at a faster rate than the sales of goods revenue.

The average number of employees fell to 67 in 2021 (2020: 137) as a result of the services organisation employees being transferred to Xerox (UK) Limited on 31 March 2021. The consolidated services organisation that was created in Xerox (UK) Limited as a result of these actions was formed to support the activities of the Xerox (UK) Limited group of companies. Xerox (UK) Limited recharges the group including the Company for these services. Further details on employees can be found in note 6 to the financial statements.

ARENA GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Other key performance indicators

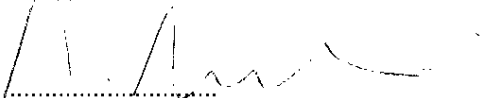
The Company have non-financial key performance indicators that cover a high standard of customer service, health and safety compliance and environmental issues.

Impact of COVID-19 on Business Operations

The global COVID-19 pandemic has accelerated the transformation of the workplace into a more flexible, hybrid environment. In response, the Company continues to invest in innovation to bolster and diversify our portfolio of offerings for hybrid workplace environments, including investments in Digital Services such as Capture & Content and Customer Engagement Services, which enable work to flow seamlessly between the office and home. During the year, the Xerox Group released Workflow Central, which extends the document workflow solutions available through our ConnectKey® multifunction printer interface to all devices, including PCs and smartphones, for easier access to workflow solutions on the go. Additionally, the hybrid work environment has increased SMB needs for IT Services.

Growth in digital and IT services, along with continued market share gains in equipment sales, are central to our objective of stabilizing and growing our Print and Services business for the long-term.

On behalf of the board



A Arthurton
Director

Date: 14th September 2022

ARENA GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be the supply and support of multi-functional devices, mstore, its own in-house developed electronic document management and workflow software, and other software solutions. It also offers outsourced bureau scanning and consultancy services.

Results and dividends

The results for the year are set out on page 5.

The profit for the year, after taxation, amounted to £1,094,762 (2020: £1,409,571).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Arthurton
D Dyas

Future developments

The Company is guided by Xerox Holdings Corporation Group (Xerox / Xerox Group) for future developments and direction. Xerox is a print technology and intelligent work solutions leader. The primary offerings span three main areas: Intelligent Workplace Services, Workplace Solutions and Production Solutions.

The Project Own it transformation and related cost savings have resulted in a leaner and more flexible cost structure, but the Company will also continue to focus on incremental actions to prioritize and preserve cash through the pandemic. These actions include the continued reduction of discretionary spend such as near-term targeted marketing programs and the use of contract employees.

Xerox's strategy to capture opportunities in its strategic growth areas will help change the trajectory of the top line and, over time, outperform the market. There is a solid business model supported by an iconic brand, a market-leading portfolio, a strong reputation for putting customers first and the best talent in the industry.

Xerox has identified four strategic initiatives that unite our employees to a common purpose and enable the market to measure our success and performance.

1. Optimise Operations for Simplicity
 - continuously improve our operating model for greater efficiency
 - invest further in robotic process automation, augmented reality and analytics to drive efficiencies
 - reduce complexity and simplify billing and offerings
2. Drive Revenue
 - scale IT Services in the SMB
 - grow XFS as a global payment solutions business
 - expand software offerings in enterprise content management and customer experience
3. Monetize Innovation
 - deliver revenue growth from 3D and "Internet of Things"
 - embed PARC's AI technology into new and existing software offerings
4. Focus on cash flow and increasing capital returns
 - maximise annual free cash flow generation

ARENA GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of directors' responsibilities

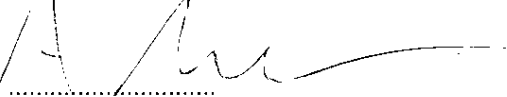
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

On behalf of the board



A Arthurton

Director

Date: 14th September 2022

ARENA GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	14,251,075	12,814,793
Cost of sales		(8,086,922)	(6,193,574)
Gross profit		6,164,153	6,621,219
Distribution costs		(2,861,706)	(2,822,663)
Administrative expenses		(2,342,501)	(3,139,375)
Exceptional administrative expenses	4	(67,860)	(176,968)
Other operating income		192,893	842,882
Operating profit	5	1,084,979	1,325,095
Interest receivable and similar income	8	231	7,388
Interest payable and similar expenses	9	(14,301)	(15,978)
Profit before taxation		1,070,909	1,316,505
Tax on profit	10	23,853	93,066
Profit for the financial year		1,094,762	1,409,571

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ARENA GROUP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	11	1,158,286		248,696	
Tangible assets	12	147,586		255,449	
			1,305,872		504,145
Current assets					
Stocks	13	2,366,645		1,980,211	
Debtors	14	15,980,742		12,597,749	
Cash at bank and in hand		622,382		2,985,902	
		18,969,769		17,563,862	
Creditors: amounts falling due within one year	15	(7,797,373)		(6,714,490)	
Net current assets			11,172,396		10,849,372
Total assets less current liabilities			12,478,268		11,353,517
Provisions for liabilities					
Provisions	17	350,672		320,683	
			(350,672)		(320,683)
Net assets			12,127,596		11,032,834
Capital and reserves					
Called up share capital	20		1,100		1,100
Profit and loss reserves	21		12,126,496		11,031,734
Total equity			12,127,596		11,032,834

For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

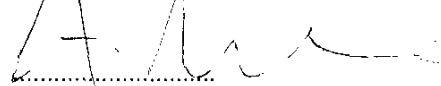
The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

ARENA GROUP LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on *14th September 2022* and are signed on its behalf by:



A. Arthurton
Director

Company Registration No. 02168309

ARENA GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2020	1,100	9,622,163	9,623,263
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	1,409,571	1,409,571
Balance at 31 December 2020	1,100	11,031,734	11,032,834
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	1,094,762	1,094,762
Balance at 31 December 2021	1,100	12,126,496	12,127,596

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Arena Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Armitage House, Thorpe Lower Lane, Robin Hood, Wakefield, WF3 3BQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': *Compensation for key management personnel.*

The financial statements of the company are consolidated in the financial statements of Xerox (UK) Limited as at 31 December 2021. These consolidated financial statements are available from its registered office, Building 4 Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

1.2 Going concern

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have obtained written confirmation of support from the Company's ultimate parent, Xerox Holdings Corporation and on the basis of this support consider that the company has adequate resources to continue in operational existence for the foreseeable future, even under uncertain conditions created by the impact of COVID-19, supply chain constraints, inflationary pressure on costs and uncertainty regarding the impact of the Russia/Ukraine war on the global economy. Thus, the Company continues to adopt the going concern basis in preparing the Company's annual financial statements.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its useful economic life.

1.5 Intangible fixed assets other than goodwill

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

All intangible assets are considered to have a finite useful life and are amortised on a straight line basis over ten years.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer Software	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	15% straight line
Plant and equipment	25% straight line
Fixtures and fittings	20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks comprising hardware and consumables are stated at the lower cost, and estimated selling price less costs to complete and sell.

The cost of consumables includes stock in field, which is the estimated value of unutilised toner which has been supplied customers and residing at customer sites, either in machines or in storage, to be used in future periods. Consumables provided to customers during a service contract are written off as utilised.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2021**

1 Accounting policies

(Continued)

1.16 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation and amortisation

The depreciation and amortisation policies have been set according to management's experience of the useful lives of a typical asset in each category, something which is reviewed annually. The depreciation charged during the period was £195,765 (2020: £690,573), and amortisation charged during the period was £237,644 (2020: £70,235) which the directors feel is a fair reflection of the benefits derived from the consumption of the assets during the period.

Accrued income

Turnover from the supply of services, billed quarterly in arrears, is accrued from the last usage read date to the year-end date based on past history of usage or a straight line basis, as appropriate.

Stock in field

Stock in field is valued based on an estimate of one complete set of toners per customer machine.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Sale of goods income	4,912,086	3,686,909
Services and document management services income	9,129,470	9,127,884
Operating lease income	209,519	-
	<u>14,251,075</u>	<u>12,814,793</u>

In 2020 operating lease income of £321,140 was included in sale of goods income, but has been separated out for 2021.

	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	14,249,335	12,803,698
Rest of Europe	1,740	11,095
	<u>14,251,075</u>	<u>12,814,793</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Other significant revenue		
Interest income	-	7,388
Government Grants	192,893	842,882

The grants received relates to income claimed under the government's Coronavirus Job Retention Scheme

4 Exceptional item

	2021	2020
	£	£
Expenditure		
Restructuring and asset impairment charges	67,860	176,968

5 Operating profit	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(192,893)	(842,882)
Depreciation of owned tangible fixed assets	195,765	690,573
Profit on disposal of tangible fixed assets	(16,032)	-
Amortisation of intangible assets	237,644	70,235
Exchange differences	297	354
Operating lease charges - Vehicles	161,123	269,460
Operating Lease Charges - Land and Buildings	233,618	228,230

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Sales and services	45	99
Admin and IT	22	38
Total	67	137

The above reduction in employees mainly occurred as a result of 70 employees being transferred over to the parent company Xerox (UK) Limited on 31 March 2021. While the above represents the average in number of employees in the year, as a result of these transfers, the number of employees at the end of 2021 was 48 (2020: 122)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,007,092	5,019,172
Social security costs	367,015	509,297
Pension costs	76,694	124,238
	3,450,801	5,652,707

The reduction in employee remuneration mainly occurred due to the the transfer of employees to Xerox (UK) Limited. The consolidated services organisation that was created in Xerox (UK) Limited as a result of these actions has been used to support the activities of the Xerox (UK) Limited group of companies. The recharge to the Company for these services in 2021 was £2.0m which includes a 5% mark-up charge.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	-	13,068
Company pension contributions to defined contribution schemes	-	110
	<u>-</u>	<u>13,178</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2020 - 1).

The emoluments of both of the directors were paid by another group company, which made no recharge to the Company.

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest receivable from group companies	231	520
Other interest receivable	-	6,868
	<u>231</u>	<u>7,388</u>

9 Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	289	-
Unwinding of discount on provisions	14,012	15,978
	<u>14,301</u>	<u>15,978</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation

	2021 £	2020 £
Current tax		
Adjustments in respect of prior periods	14,426	(2,443)
Deferred tax		
Origination and reversal of timing differences	(15,393)	(106,901)
Changes in tax rates	(26,556)	-
Adjustment in respect of prior periods	3,670	16,278
Total deferred tax	(38,279)	(90,623)
Total tax credit	(23,853)	(93,066)

The actual credit for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	1,070,909	1,316,505
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	203,473	250,136
Tax effect of expenses that are not deductible in determining taxable profit	14,139	48,966
Adjustments in respect of prior years	18,096	13,835
Effects of group relief/other reliefs	(233,005)	(406,003)
Tax rate changes	(26,556)	-
Taxation credit for the year	(23,853)	(93,066)

The Finance (No. 2) Act 2015 reduced the standard rate of corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020, however, legislation in the Finance Act 2020, enacted in July 2020, repealed this reduction. The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances at 31 December 2021. Deferred tax has been measured at the rate it is expected to reverse.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Intangible fixed assets

	Goodwill	Computer Software	Total
	£	£	£
Cost			
At 1 January 2021	5,025,000	360,447	5,385,447
Additions	-	1,147,234	1,147,234
At 31 December 2021	5,025,000	1,507,681	6,532,681
Amortisation and impairment			
At 1 January 2021	5,025,000	111,751	5,136,751
Amortisation charged for the year	-	237,644	237,644
At 31 December 2021	5,025,000	349,395	5,374,395
Carrying amount			
At 31 December 2021	-	1,158,286	1,158,286
At 31 December 2020	-	248,696	248,696

12 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2021	294,182	1,419,651	934,946	12,015	2,660,794
Additions	-	-	52,532	-	52,532
Disposals	-	(798,418)	(165,706)	(70,313)	(1,034,437)
Transfers	-	18,571	158,142	151,138	327,851
At 31 December 2021	294,182	639,804	979,914	92,840	2,006,740
Depreciation and impairment					
At 1 January 2021	223,283	1,295,340	879,463	7,259	2,405,345
Depreciation charged in the year	32,239	111,334	45,481	6,711	195,765
Eliminated in respect of disposals	-	(796,459)	(160,934)	(68,808)	(1,026,201)
Transfers	-	15,546	128,663	140,036	284,245
At 31 December 2021	255,522	625,761	892,673	85,198	1,859,154
Carrying amount					
At 31 December 2021	38,660	14,043	87,241	7,642	147,586
At 31 December 2020	70,899	124,311	55,483	4,756	255,449

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Stocks

	2021 £	2020 £
Finished goods and goods for resale	2,366,645	1,980,211

In 2020 stock was categorised as raw materials and consumables. The category has been updated in 2021 to provide a better classification of stock held, which includes parts, consumables and equipment held for resale.

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	3,041,742	2,211,599
Amounts owed by group undertakings	11,953,611	9,129,800
Other debtors	143,408	194,500
Prepayments and accrued income	731,333	1,005,611
	<u>15,870,094</u>	<u>12,541,510</u>

	2021 £	2020 £
Amounts falling due after more than one year:		
Deferred tax asset (note 18)	110,648	56,239
	<u>110,648</u>	<u>56,239</u>
Total debtors	<u>15,980,742</u>	<u>12,597,749</u>

15 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Obligations under finance leases and hire purchase contracts	16	5,850	-
Trade creditors		1,467,478	1,675,920
Amounts owed to group undertakings		4,001,828	3,121,110
Taxation and social security		459,180	781,892
Accruals and deferred income		1,863,037	1,135,568
		<u>7,797,373</u>	<u>6,714,490</u>

16 Hire Purchase and Finance lease obligations

	2021 £	2020 £
Future minimum lease payments due under hire purchase:		
Within one year	5,850	-

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Provisions for liabilities

	2021 £	2020 £
Dilapidations Provision	350,672	320,683

Movements on provisions:

	Restructuring Provision £	Dilapidations Provision £	Total £
At 1 January 2021	-	320,682	320,682
Additional provisions in the year	67,860	-	67,860
Utilisation of provision	(67,860)	-	(67,860)
Unwinding of discount	-	29,990	29,990
At 31 December 2021	-	350,672	350,672

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2021 £	Assets 2020 £
Balances:		
Accelerated capital allowances	97,861	46,286
Other differences	12,787	9,953
	110,648	56,239
Movements in the year:		2021 £
Asset at 1 January 2021		(56,239)
Credit to profit or loss		(41,949)
Effect of change in tax rate - profit or loss		3,670
Movement arising from the transfer of trade		(16,130)
Asset at 31 December 2021		(110,648)

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

19 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	76,694	124,238

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	1,100	1,100	1,100	1,100

21 Profit and loss reserves

This reserve represents cumulative profits and losses.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	288,548	248,975
Between two and five years	582,554	496,172
	871,102	745,147

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Restatement of prior year profit and loss

	2020 Actual £	2020 Re-Class £	2020 as restated £
Turnover	12,814,793		12,814,793
Cost of sales	(9,016,237)	2,822,663	(6,193,574)
Gross profit	3,798,556	2,822,663	6,621,219
Distribution costs	-	(2,822,663)	(2,822,663)
Administrative expenses	(3,139,375)		(3,139,375)
Exceptional administrative expenses	(176,968)		(176,968)
Other operating income	842,882		842,882
Operating profit	1,325,095	-	1,325,095

2020 Reclass - As part of the acquisition of the Company by Xerox (UK) Limited, a re-mapping exercise of accounts took place in 2021 to align the costs in the same way as Xerox (UK) Limited. By doing this it provides a consistent approach to the reporting of these costs within the Xerox (UK) Limited Group. As a result of this change, there has been a significant movement between cost of sales and distribution costs. The 2020 cost of sales and distribution costs have therefore been restated, to provide a more representative YOY comparison.

24 Ultimate controlling party

The ultimate controlling party and largest group in which the results of the Company are consolidated is that of Xerox Holdings Corporation, a company incorporated in the United States of America. Copies of the consolidated financial statements of Xerox Holdings Corporation may be obtained from The Investor Relation Department, Xerox Corporation, 201 Merritt 7, Norwalk, CT06856-4505, United States of America.

The smallest group in which the results of the Company are consolidated is that of Xerox (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the consolidated financial statements of Xerox (UK) Limited can be obtained from Building 4 Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

The Company's immediate parent and controlling undertaking is Arena Group Holdings Limited which is incorporated in the United Kingdom.