

Arena Group Limited

Registered number: 02168309

Annual report and unaudited financial statements

For the year ended 31 December 2020



ARENA GROUP LIMITED

COMPANY INFORMATION

Directors
A W Arthurton (appointed 23 March 2020)
D B Dyas (appointed 27 January 2020)
A J Fitzpatrick (resigned 27 January 2020)
G J Putson (resigned 27 January 2020)
A M McPhillips (resigned 15 May 2020)
D M Benoit (resigned 23 March 2020)

Company secretary R S Pitceathly

Registered number 02168309

Registered office
Armitage House, Thorpe Lower Lane
Robin Hood
Wakefield
West Yorkshire
WF3 3BQ

Accountants
Mazars LLP
Chartered Accountants
5th Floor
3 Wellington Place
Leeds
LS1 4AP

ARENA GROUP LIMITED

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ARENA GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors are pleased to present their Strategic Report for the year ended 31 December 2020.

Business review

The principal activity of the Company 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.

Operating from its headquarters in Wakefield and across 6 other sites, the business provides a UK wide service in conjunction with its key business partners, Toshiba, Kyocera, Xerox and Epson.

The effect of COVID-19 has had a significant impact on Turnover in the period. Although a tight control on costs and government grants through the Coronavirus Job Retention Scheme (CJRS) has helped mitigate this to some extent, operating profit reduced by £1.5m.

The net current asset position of the Company increased from £9.4m in the prior reporting period to £10.8 at 31 December 2020. Cash generation remains strong which has resulted in significant cash holdings of £3m at the period end. The significant cash resources and increased net current assets provides the Company with the resources to meet its strategic objective of long term sustainable profitable growth and to meet the challenges that it faces.

The stock held by the Company has increased from £1.9m at 31 December 2019 to £2m at 31 December 2020 ensuring that we are able to meet client needs.

Even though headcount has slightly decreased due to a challenging labour market, the Company pursued its organic growth aims through the training and development of its staff.

Principal risks and uncertainties

The key risk to the business, other than the impact of COVID-19, continues to be the very competitive nature of the industry sector. Some manufacturers' aggressive pursuit of market share is causing hardware and service margins to be squeezed.

The business mitigates this risk in several ways: by relentlessly pursuing process improvements in all areas of the business; by maintaining a broad portfolio of customers, suppliers and products; by investing heavily in the training of our customer-facing staff to identify cost saving opportunities for our existing and prospective clients; by ensuring that all colleagues deliver the Group-wide unequivocal commitment to our customers' total satisfaction.

The Directors do not believe that the impact of the United Kingdom exiting the European Union will have a material impact on the future trading of the Company. The Directors opinion on the impact of the COVID-19 pandemic is included in note 2.2 of the financial statements.

Financial key performance indicators

The Directors review and monitor all aspects of the business, but consider turnover, gross margins and EBITDA as key performance indicators for the business, with its key aim of long term sustainable growth.

The Consolidated Statement of Comprehensive Income reports an decrease in Turnover, Operating Profit and Profit Before Tax.

ARENA GROUP LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.

This report was approved by the board on Sep 28, 2021 and signed on its behalf.


A. Arthurton (Sep 28, 2021 10:26 GMT+1)

A W Arthurton
Director

ARENA GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,409,571 (2019 - £2,350,592).

Dividends paid amounted to £Nil during the year (2019: £Nil).

Directors

The directors who served during the year were:

A W Arthurton (appointed 23 March 2020)
D B Dyas (appointed 27 January 2020)
A J Fitzpatrick (resigned 27 January 2020)
G J Putson (resigned 27 January 2020)
A M McPhillips (resigned 15 May 2020)
D M Benoit (resigned 23 March 2020)

Future developments

The Company continues to invest in systems, training, people and infrastructure ensuring that the business is well positioned to take advantage of growth opportunities over the coming year.

ARENA GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Post balance sheet events

Post balance sheet events have been disclosed in note 29 of the financial statements.

This report was approved by the board on Sep 28, 2021 and signed on its behalf.


A. Arthurton (Sep 28, 2021 10:26 GMT+1)

A W Arthurton
Director

ARENA GROUP LIMITED

**CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE PREPARATION OF
THE UNAUDITED STATUTORY FINANCIAL STATEMENTS OF ARENA GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2020**

In accordance with our engagement letter dated 19 May 2021 and in order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of the Company for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes from the Company's accounting records and from information and explanations you have given to us.


As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at www.icaew.com/en/members/regulations-standards-and-guidance/.

Respective responsibilities of directors and accountants

You have acknowledged on the Statement of Financial Position for the year ended 31 December 2020 your duty to ensure that the Company has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the Company's assets, liabilities, financial position and profit. You consider that the Company is exempt from the statutory requirement for an audit for the year.

This report is made solely to the Board of Directors of Arena Group Limited, as a body, in accordance with the terms of our engagement letter dated 19 May 2021. Our work has been undertaken solely to prepare for your approval the financial statements of the Company and state those matters that we have agreed to state to the Board of Directors, as a body, in this report in accordance with ICAEW Technical Release 07/16 AAF. To the fullest extent permitted by law, we do not accept nor assume responsibility to anyone other than the Company and its Board of Directors, as a body, for our work or for this report.

We have not been instructed to carry out an audit or review of the financial statements of Arena Group Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.


Mazars LLP (Sep 28, 2021 10:39 GMT+1)

Mazars LLP

Chartered Accountants

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: Sep 28, 2021

ARENA GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

		Year ended 31 December 2020 £	As restated Period ended 31 December 2019 £
	Note		
Turnover	4	12,814,793	22,009,675
Cost of sales		(9,016,237)	(13,835,215)
Gross profit		3,798,556	8,174,460
Administrative expenses		(3,139,375)	(5,340,763)
Exceptional administrative expenses	12	(176,968)	-
Other operating income	5	842,882	-
Operating profit	6	1,325,095	2,833,697
Interest receivable and similar income	9	7,388	70,336
Interest payable and expenses		(15,978)	-
Profit before tax		1,316,505	2,904,033
Tax on profit	11	93,066	(553,441)
Profit for the financial year		1,409,571	2,350,592

The notes on pages 10 to 30 form part of these financial statements.

ARENA GROUP LIMITED
REGISTERED NUMBER: 02168309

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Intangible assets	13	248,696	137,911
Tangible assets	14	255,449	483,101
		<u>504,145</u>	<u>621,012</u>
Current assets			
Stocks	15	1,980,211	1,861,434
Debtors: amounts falling due within one year	16	12,597,749	9,072,378
Cash at bank and in hand	17	2,985,902	4,837,533
		<u>17,563,862</u>	<u>15,771,345</u>
Creditors: amounts falling due within one year	18	(6,714,490)	(6,414,027)
Net current assets		<u>10,849,372</u>	<u>9,357,318</u>
Total assets less current liabilities		<u>11,353,517</u>	<u>9,978,330</u>
Provisions for liabilities			
Deferred tax	20	-	(34,384)
Other provisions	21	(320,683)	(320,683)
		<u>(320,683)</u>	<u>(355,067)</u>
Net assets		<u><u>11,032,834</u></u>	<u><u>9,623,263</u></u>
Capital and reserves			
Called up share capital	22	1,100	1,100
Profit and loss account	23	11,031,734	9,622,163
		<u><u>11,032,834</u></u>	<u><u>9,623,263</u></u>

ARENA GROUP LIMITED
REGISTERED NUMBER: 02168309

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

The directors considers that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

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 financial statements were approved and authorised for issue by the board and were signed on its behalf on Sep 28, 2021


A. Arthurton (Sep 28, 2021 10:26 GMT+1)

A W Arthurton
Director

The notes on pages 10 to 30 form part of these financial statements.

ARENA GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020 (as previously stated)	1,100	9,795,411	9,796,511
Prior year adjustment - note 24	-	(173,248)	(173,248)
At 1 January 2020 (as restated)	<u>1,100</u>	<u>9,622,163</u>	<u>9,623,263</u>
Profit for the year	-	1,409,571	1,409,571
At 31 December 2020	<u>1,100</u>	<u>11,031,734</u>	<u>11,032,834</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2018	1,100	7,271,571	7,272,671
Profit for the period (as restated)	-	2,350,592	2,350,592
At 31 December 2019	<u>1,100</u>	<u>9,622,163</u>	<u>9,623,263</u>

The notes on pages 10 to 30 form part of these financial statements.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Arena Group Limited ("the Company") is a company limited by shares, incorporated in England and Wales, registered number 02168309. The registered office is Armitage House, Thorpe Lower Lane, Robin Hood, Wakefield, WF3 3BQ.

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

These financial statements have been presented in pound sterling which is the functional currency of the company, and rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report.

During the year the company's revenues have continued to be impacted by the global COVID-19 pandemic. As a result, management has, and continues to, perform monthly reviews of trading conditions and provide regular reforecasts both internally and to its parent company. Whilst the impact to revenues has been significant, costs have been reduced, to support on-going profitable trading. In addition, the company has taken advantage of furlough and VAT deferment schemes.

The company has several long-term contracts with customers and suppliers across different geographic areas and industries. The directors believe that the company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

The financial resource of the company's ultimate parent, Xerox Holdings Corporation, provides further security to that currently provided by the financial resources of the company. Xerox Holdings Corporation operates a global treasury management facility which ensures all global operations and subsidiaries, including Arena Group Limited, have appropriate capital, funding and liquidity to operate successfully.

The directors, with reference to post year end trade to date, secured long term contracts, and the company's access to the group treasury management facility believe that the company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment the directors have considered a period of at least 12 months from the date of signature of these financial statements. They thus continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Xerox (UK) Limited as at 31 December 2020 and these financial statements may be obtained from Companies House.

2.4 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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. Non-monetary 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'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Computer software	-	20 % straight line
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2.15 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	-	15% straight line
Plant & machinery	-	25% straight line
Motor vehicles	-	20% straight line
Fixtures & fittings	-	20% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.16 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.

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.

2.17 Debtors

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

2.18 Cash and cash equivalents

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

2.19 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.21 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.21 Financial instruments (continued)

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.

3. Judgments in applying accounting policies 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.

1) 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. It is not considered practical to use a per unit basis to allocate depreciation and amortisation without undue cost and therefore amounts are charged annually. The depreciation charged during the period was £232,683 (2018: £175,871), and amortisation charged during the period was £541,493 (2018: £502,069) which the directors feel is a fair reflection of the benefits derived from the consumption of the assets during the period.

2) 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.

3) Stock in field

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

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Sales of goods	3,686,909	6,502,560
Software and service solutions	9,127,884	15,507,115
	<u>12,814,793</u>	<u>22,009,675</u>

Analysis of turnover by country of destination:

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
United Kingdom	12,803,698	21,974,929
Rest of Europe	11,095	34,746
	<u>12,814,793</u>	<u>22,009,675</u>

5. Other operating income

	2020 £	2019 £
Government grants	842,882	-
	<u>842,882</u>	<u>-</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Depreciation of tangible fixed assets	690,573	232,683
Amortisation of intangible assets, including goodwill	70,235	541,493
Loss / (Profit) on disposal of tangible fixed assets	-	4,469
Exchange differences	354	568
Defined contribution pension cost	124,238	142,362
	<u> </u>	<u> </u>

7. Employees

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

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Wages and salaries	5,019,172	6,516,547
Social security costs	509,297	663,221
Cost of defined contribution scheme	124,238	142,362
	<u> </u>	<u> </u>
	<u>5,652,707</u>	<u>7,322,130</u>

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

	Year ended 31 December 2020 No.	15 months ended 31 December 2019 No.
Sales and services	99	110
Admin and IT	38	42
	<u> </u>	<u> </u>
	<u>137</u>	<u>152</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Directors' remuneration

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Directors' emoluments	13,068	241,543
Company contributions to defined contribution pension schemes	110	11,061
	<u>13,178</u>	<u>252,604</u>

During the year retirement benefits were accruing to 1 director (2019 - 2) in respect of defined contribution pension schemes.

9. Interest receivable

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Interest receivable	7,388	70,336
	<u>7,388</u>	<u>70,336</u>

10. Interest payable and similar expenses

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Other loan interest payable	15,978	-
	<u>15,978</u>	<u>-</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Corporation tax		
Current tax on profits for the year	-	600,231
Adjustments in respect of previous periods	(2,443)	(37,174)
Total current tax	<u>(2,443)</u>	<u>563,057</u>
Deferred tax		
Origination and reversal of timing differences	(106,901)	(9,616)
Adjustment in respect of previous periods	16,278	-
Total deferred tax	<u>(90,623)</u>	<u>(9,616)</u>
Taxation on profit on ordinary activities	<u>(93,066)</u>	<u>553,441</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	Year ended 31 December 2020 £	15 months ended 31 December 2019 £
Profit on ordinary activities before tax	1,316,505	2,904,033
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	250,137	551,766
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	48,966	8,504
Adjustments to tax charge in respect of prior periods	13,835	-
Amortisation on assets not qualifying for tax allowances	-	102,884
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	-	(141,987)
Other differences leading to an increase (decrease) in the tax charge	-	5,641
Group relief	(406,004)	(6,284)
Prior year adjustment	-	32,917
Total tax (credit)/charge for the year/period	(93,066)	553,441

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

12. Exceptional items

	2020 £	2019 £
Restructuring and asset impairment charges	176,968	-
	176,968	-

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2020	179,427	5,025,000	5,204,427
Additions	181,020	-	181,020
At 31 December 2020	360,447	5,025,000	5,385,447
Amortisation			
At 1 January 2020	41,516	5,025,000	5,066,516
Charge for the year	70,235	-	70,235
At 31 December 2020	111,751	5,025,000	5,136,751
Net book value			
At 31 December 2020	248,696	-	248,696
At 31 December 2019	137,911	-	137,911

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Tangible fixed assets

	Leasehold property £	Long term Leasehold Property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost						
At 1 January 2020 (as previously stated)	17,731	-	971,911	12,015	926,331	1,927,988
Prior Year Adjustment	-	276,451	-	-	-	276,451
At 1 January 2020 (as restated)	17,731	276,451	971,911	12,015	926,331	2,204,439
Additions	-	-	447,740	-	16,666	464,406
Disposals	-	-	-	-	(8,051)	(8,051)
At 31 December 2020	17,731	276,451	1,419,651	12,015	934,946	2,660,794
Depreciation						
At 1 January 2020 (as previously stated)	17,022	-	718,511	4,255	852,534	1,592,322
Prior Year Adjustment	-	129,016	-	-	-	129,016
At 1 January 2020 (as restated)	17,022	129,016	718,511	4,255	852,534	1,721,338
Charge for the year on owned assets	358	76,887	576,829	3,005	33,494	690,573
Disposals	-	-	-	-	(6,566)	(6,566)
At 31 December 2020	17,380	205,903	1,295,340	7,260	879,462	2,405,345
Net book value						
At 31 December 2020	351	70,548	124,311	4,755	55,484	255,449
At 31 December 2019 (as restated)	709	147,435	253,400	7,760	73,797	483,101

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Stocks

	2020	2019
	£	£
Raw materials and consumables	1,980,211	1,861,434
	<u>1,980,211</u>	<u>1,861,434</u>

16. Debtors

	2020	2019
	£	£
Trade debtors	2,211,599	2,371,424
Amounts owed by group undertakings	9,129,800	4,755,641
Other debtors	194,500	1,062,730
Prepayments and accrued income	1,005,611	882,583
Deferred taxation	56,239	-
	<u>12,597,749</u>	<u>9,072,378</u>

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	2,985,902	4,837,533
	<u>2,985,902</u>	<u>4,837,533</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,675,920	1,891,325
Amounts owed to group undertakings	3,121,111	2,883,512
Corporation tax	-	147,410
Other taxation and social security	781,891	368,024
Other creditors	506	506
Accruals and deferred income	1,135,062	1,123,250
	<u>6,714,490</u>	<u>6,414,027</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,985,902	4,837,533
Financial assets that are debt instruments measured at amortised cost	11,378,066	8,958,867
	<u>14,363,968</u>	<u>13,796,400</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(5,394,406)</u>	<u>(6,039,894)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings excluding prepayments.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings and accruals. Excluded are amounts relating to corporation tax and taxation and social security.

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Deferred taxation

	2020 £	2019 £
At beginning of year	(34,384)	(44,000)
Charged to profit or loss	90,623	9,616
At end of year	56,239	(34,384)

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	46,286	(40,735)
Other differences	9,953	6,351
	56,239	(34,384)

21. Provisions

	Asset retirement provision £
At 1 January 2020	320,683
At 31 December 2020	320,683

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1,100 (2019 - 1,100) Ordinary shares of £1.00 each	1,100	1,100

23. Reserves**Profit & loss account**

This reserve represents cumulative profits and losses.

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

24. Prior year adjustment

A prior year adjustment has been made to align the Company's accounting policies with the wider group in relation to the treatment of leases between operating and finance leases. The adjustment has led to the recognition of £173,248 of costs in a previous period relating to depreciation and impairment provisions. The adjustment has also led to the recognition of long-term leasehold property with a net book value of £147,435 and an associated provision of £320,683.

25. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £114,234 (2019:£142,362). There were no contributions payable to the fund at the balance sheet date (2019: £Nil).

26. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	248,975	412,069
Later than 1 year and not later than 5 years	496,172	660,472
Later than 5 years	-	70,000
	<u>745,147</u>	<u>1,142,541</u>

Operating lease payments recognised as an expense during the period totalled £269,460 (2019: £505,533).

27. Transactions with directors

	Opening balance £	Amounts repaid £
Mr A Fitzpatrick	170,567	(170,567)
	<u>170,567</u>	<u>(170,567)</u>

ARENA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

28. Related party transactions

All related party transactions were conducted on an arms' length basis.

During the period the company received interest from an entity with joint control of £3,155 (2019: £47,328).

The following amounts were outstanding at the reporting date:

	2019 £
Entities with joint control	757,245
	<u>757,245</u>

Stratas Business Solutions LLP is a limited liability partnership incorporated in the UK, of which Mr. A. J. Fitzpatrick is a designated member.

No expense has been recognised in the year (2019: £NIL) in respect of bad debts from related parties.

29. Post balance sheet events

There are no post balance sheet events to disclose.

30. Controlling party

The ultimate parent undertaking, controlling party and the largest group in which the results of Arena Group Limited are consolidated is that of Xerox Holdings Corporation, which is incorporated in the United States of America. Copies of these financial statements are available to the public and may be obtained from:

The Investor Relations Department
Xerox Corporation
201 Merritt 7
Norwalk
CT 06851-1056
United States of America
World Wide Web <http://www.xerox.com>

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