

Hermes Parcelnet Limited

Annual report and financial statements
For the 52 week period ended 27 February 2021

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Hermes Parcelnet Limited
Company Information

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Strategic report

The Directors present their Strategic Report for Hermes Parcelnet Limited (the “Company”) for the 52 weeks ended 27 February 2021. The Directors in preparing this Strategic Report have complied with s414c of the Companies Act 2006.

Principal Activities

The principal trading activity of the Company is the provision of a consumer parcel delivery service predominately in the following two forms:

- B2C - Business to customer parcel delivery services to traditional retailers (those with stores and an online offer), pure play e-tailers (online only retailers) as well as mail order catalogue businesses.
- C2C - Customer to customer parcel delivery which allows individual customers to send parcels through our network of c6,000 pick up/drop off (PUDO) locations, including 1200 automated lockers.

Fair review of the business

The financial year under review has been one of significant uncertainty and challenge as the nation and the business adapted to the impacts of COVID-19. The most significant of which has been a sustained increase in the demand for online delivery services from our retail (B2C) and end user customers (C2C) both through the periods of national lockdown and over Summer 2020 when none essential retail stores were trading.

Our response to the pandemic had a number of phases, with our main and overriding focus being the safety of our workforce and their dependents through the introduction of COVID secure working practices and contact free delivery. As the medium and longer term impact on demand for online delivery capacity became clearer, we adjusted our capacity planning accordingly introducing an additional hub to the network, scaling up operations at our peak relief site in Nuneaton and bringing forward 4 depot replacements to provide an overlap in capacity.

As the year progressed we were able to create some innovative solutions to help retail and end user customers. This included the development of bespoke fulfil from store solutions to augment retailer online warehousing capacity, increasing the number of lockers in our out of home estate to c1,200 to facilitate completely contact free parcel pick up/drop off and moving courier recruitment entirely on line which enabled us to double the size of the courier network from c13,000 to c26,000 to deliver peak volumes.

These actions allowed us to provide a strong service to our clients through the year and in what became a step change in adoption of E-Commerce – a critical achievement for our clients in ensuring they could maximise online demand from their customers.

This performance was only possible due to the significant investments in operational and IT infrastructure over the preceding periods, the flexibility and scalability inherent in the model and the support and commitment of our employees and large network of final mile couriers and pick up/drop off locations.

In parallel to our COVID response, we have continued to develop the business and further improve our customer offering with a focus on new products development and ongoing technology enhancements. Coupled with our flexible and scalable operating model this has allowed us to add new blue chip clients to the roster, increase our share of wallet from existing clients and successfully grow in new markets, particularly inbound volume from China for delivery to UK consumers and peer to peer deliveries through partnerships with online market places such as Vinted and Depop.

This has been accompanied by further progress in enhancing the UKs only union backed self-employed courier network which provides paid holidays and guaranteed national minimum wage whilst still maintaining the flexibility on working patterns which are couriers value so highly under our Self-Employed Plus (“SE+”) model. In consultation with the GMB we have further improved the model and we expect all couriers who are round holders to provide service under this model by the end of 2022.

We are also pleased to report in this connection that HMRC has reviewed the tax status of our couriers and concluded in line with the Company’s own assessment. HMRC has confirmed that our couriers continue to be correctly classified as self-employed (in line with previous review) and are paid at least minimum wage in accordance with the relevant legislation. Whilst this outcome was as anticipated, it positively concludes a long

running investigation and allows us to fully focus on developing our attractive model further thereby enabling the recruitment and retention of sufficient couriers to service the expected strong volume growth in the months and years ahead.

Revenue in the period increased by 68.6% to £1,449.9m (2020: £860.0m) with increased volume from the step change in adoption of E-Commerce in addition to client wins and underlying market growth.

The additional revenue growth was converted to profit well with operating profit before exceptional items of £175.8m (2020: 52.9m) an increase of 232%. Our operating margins increased from 6.2% to 12.1% despite our ongoing investment in the business and the additional one-off costs incurred to operate in line with COVID guidelines.

During the period the Company did not apply for or receive any grants from Government bodies. As part of liquidity planning, we deferred VAT from March-May 2020 as provided under the Government's COVID relief plan. The deferred element was repaid in full in February 2021.

On 30 November 2020, 75% of the Company was acquired by funds advised by Advent International, a leading global private equity investor with the Otto Group retaining a 25% share in line with their stated ambition to seek a strategic investor in the European Hermes Group of companies to help realise the excellent growth opportunities foreseen. This change of ownership has brought additional resource and expertise to allow the business to further its strategic ambition of becoming the carrier of choice for every end consumer.

Outlook

The Company has benefited from an accelerated shift towards online shopping which it is exposed to through multiple markets and trends and has been able to benefit from due to its well invested scalable and flexible model.. Continued investment in digital and operational capabilities position the business well for future growth with a new hub in Barnsley due to open in 2022 underpinning forward capacity requirements.

Key Performance Indicators

In addition to revenue, gross profit and operating profit which are disclosed further in the Financial Statements, the Company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Profit before tax: Revenue	%	9.0	5.0
Profit before tax: Employee	£	25,295	12,111
Turnover per Employee	£	280,284	241,651
Capital expenditure	£000	51,736	33,294

Principal risks and uncertainties

During 2020/21 we took steps to mature our risk management framework and formalise governance mechanisms that had evolved over time.

The principle risks affecting the Company are:

1. The impact on social distancing and labour availability during the Coronavirus pandemic. We have managed this risk proactively by carrying out risk assessments at each site and implementing safe systems of work. There has been daily monitoring of infection levels across all sites with weekly reviews centrally. Infection levels across sites have consistently been far below the national average. We have managed to mitigate the risk of reduced labour availability in order to handle the record levels of parcel volumes across the network.

2. The Group's final mile network continues to operate in a way that reflects the self-employed status of those that provide final mile services. During the period further progress has been made in enhancing the UKs only union backed self-employed courier model. This provides couriers with paid holidays and guaranteed national minimum wage whilst still maintaining the flexibility of working patterns which are so highly valued under the SE+ banner. In consultation with the GMB, further improvements will be made to the model. It is expected that all couriers, that are round holders, will provide service under this model by the end of 2022.

3. There has been significant investments made to mature the information security and cyber capability of the business. The size of information security team has increased in proportion the growth in parcel volumes. There has

been an education and awareness programme has been carried out including an anti-phishing campaign. A leading data loss prevention and detection application has been implemented along with a leading Distributed denial of service ("DDoS") detection and defence application.

S172 Statement

The Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for Board matters and those delegated to its Committees. Financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval.

When making decisions, each Director ensures that he/she considers, in good faith, what would be most likely to promote the success of the Company for the benefit of its members and in doing so have had regard (amongst others) of the following matters:-

The likely consequences of any decision in the long term

The Directors' regard to the consequences is embedded in its decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Company's business strategy is focused upon achieving success for the Company in the long-term, working in a way that benefits all our stakeholders.

The Company's values are (i) do the right thing (ii) dare to be different (iii) strive for more and (iv) be customer obsessed. Our values guide us in how we approach every issue and make every decision. The Directors and employees are encouraged to think nominatively with the customer at the heart of what we do to create value for our clients, customers and shareholders. "Doing the right thing" is central to the governance of our business and how the Director's view their responsibilities to the business and all stakeholders.

The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our values and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

- relevant training to further their understanding of their duties and obligations under applicable law and regulation;
- processes to ensure the provision of timely management information to the Board from the Company's business areas, its risk and control functions, support teams and committees of the Board; and
- agenda planning for Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters

The interests of the Company's employees

The Directors recognise that our employees are key to the success of our business, contributing to a positive culture and working environment.

The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce.

We understand the importance of engaging our people in the long-term vision and strategy of the business, and how they can directly influence and contribute to our success. We share our ambitions and plans with our people at our regular internal events – usually in person but due to the current environment these have been virtual. Regular performance updates are shared with our leadership team monthly and cascaded via this group to their teams.

We have several internal communication channels to keep our people updated on all aspects of our business, from new products to people news, including our Company intranet, weekly e-newsletter, shift briefings, digital screens and video blogs. We also encourage employee voice through our regular myView forums and surveys.

The need to foster the Company's business relationships with suppliers, customers, and others

Suppliers: The business places huge importance upon the relationship with these stakeholders and is committed to strong, long-term ethical relationships with all our suppliers, based upon quality and fair terms of trade working with them to protect the natural environment. Our supplier engagement is guided by our Code of Conduct which clearly sets out how we as a business must engage with our suppliers and sets our expectations on them with regards to how they treat their employees and suppliers.

We have a collaborative sourcing approach. We are open about where we buy from and how we buy, which drives progress against the standards we seek, and this transparency creates more resilient and sustainable supply chains.

Customers: Customer relationships are critical.

Given the nature of our business, our customer experience strategy embodies 2 distinct customer types; clients (retailers/shippers) and customers (consumers/online shoppers).

Our client relationships are strategic partnerships, managed daily by our client management team and strategically through our Executive Sponsorship program which aligns our most valued accounts with a member of the Hermes Board. Regular engagement, monthly board reporting ("MBR") & quarterly board reporting ("QBR") meetings allow us to identify trends with retailers logistical needs and respond quickly. Client satisfaction is measured through bi-annual surveys (usually pre-peak & post peak).

Our customers are more transactional in nature and we usually engage with them on the doorstep or via our customer service function, primarily the Holly chat function on our website. We use insight from the contact centre to drive innovations that solve everyday delivery problems, for example out of home solutions. Customer satisfaction is measured through Trustpilot where we closely monitor feedback posted on the Trustpilot website

Shareholders: the business has robust leadership, structures, improved processes, and scheduled opportunities for meaningful engagement with the owners of the business.

The impact of the Company's operations on the community

Our head office, hubs, depots and delivery units are all in local communities where people live, and with our courier network our reach is much wider. With this reach across all parts of the UK we can see the effect that our actions have first hand, whether that is where our sites are built, how many vehicles we are putting on the road, how we develop our people and what we are doing in their communities.

We work to do what is right for our local communities through our people in a number of ways; our community giving programme allocates £1000 per Hermes site to spend on their local communities and charities; our employee pledge offers up to £300 per employee in match funding for a charity that really matters to them; our 25 days of giving throughout December and extra support at this time for food banks and toy appeals. We also help our people to support their chosen charities through our payroll giving scheme.

On a national level we work with our charity partners – Go Beyond and Emmaus to support the work they are doing through fundraising activities, PR opportunities, skills sharing, volunteering and sponsorship.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board ensures that the business operates in a responsible manner, acting with high standards and good governance.

The Board promotes a culture of upholding the highest standards of business and regulatory conduct, communicating these to the Company's employees and it is embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board periodically reviews and approves documents such as its Modern Slavery Statement and Gender Pay Gap report, to ensure that its high standards are maintained both within our businesses and the business relationships we

maintain. This complemented by the ways the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken and that we act in ways that promote high standards of business conduct.

The business has a risk management framework which identifies both emerging and established internal and external risk factors which are regularly monitored and reviewed by the business and the Board and are recorded in a risk management system.

Approved by the Board on 28/05/2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Richardson', with a stylized flourish at the end.

Alan Richardson

Directors' report

Directors of the Company

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

Martijn De Lange
Alan Richardson

Environment

We plan to deliver a minimum of 5% annual reduction, per parcel, in our logistics vehicles CO2 emissions through a combination of innovative load design, increased use of our Parcel Shop and Locker (out-of-home) delivery network, lower fossil fuel consumption and the continued adoption of alternative fuelled vehicles across our commercial network. We have commissioned a comprehensive carbon footprint mapping exercise across Scopes 1, 2 and 3 with external consultants and will use this as the basis to develop a net zero carbon roadmap using Science-Based Targets. Over 30% of the vehicles on our Company car listings are either fully electric or of a hybrid design and during the coming year we intend to launch more cycle to work and car share schemes.. Across our infrastructure and facilities we aim to be carbon neutral by 2030 by the adoption of more green technologies across existing and new site developments.

Sustainability

The Company is committed to the basic principle of sustainability and to fulfilling its corporate responsibility in this area. This fundamental understanding is reflected in our directives, initiatives and systems as well as in our projects. A key element in our success is recognising tomorrow's demands today. Innovation is key to success here and that is something we have proven over the last few years. Through continual change processes, we manage to respond at an early stage to the needs of and developments in the marketplace.

Governance Structure

The Company applies the Wates corporate governance principles when considering corporate governance. Detailed in the paragraphs below are the details of how the six principles of this code have been applied.

Purpose and leadership

All Board decisions are made with the Company's success in mind, which is ultimately for the long-term benefit of our stakeholders. Our Company values are an important part of our business as they are what bring us all together, and they are at the heart of what we do and how we do it every day. We have invested in the development and involvement of our employees and couriers, as we believe it is the right thing to do, not only for them but for our business.

Board composition

The Company's governance structure includes several different committees which comprise a variety of representations who have the necessary balance of skills, backgrounds, experience and knowledge. This ensures the applicable committees have enough capacity to make a valuable contribution to the success of its objectives.

Director responsibilities

The Directors are committed to a full and open dialogue with all employees throughout the business, recognising the contribution this makes to improved personal performance, and achievement of the overall Company's business objectives. Employee engagement forms a key part of our business strategy and is measured through an annual employee engagement survey, giving employees the opportunity to put forward their views about working for the Company and suggest ideas for improvement. Survey results are followed up with discussion groups to capture ideas and generate action plans for developing employee engagement and satisfaction further.

Directors' report - continued

Opportunity and risk

The Company is committed to the basic principle of sustainability and to fulfilling its corporate responsibility in this area. This fundamental understanding is reflected in our directives, initiatives and systems as well as in our projects. A key element in our success is recognising tomorrow's demands today. Innovation is key to success here and that is something we have proven over the last few years. Through continual change processes, we manage to respond at an early stage to the needs of and developments in the marketplace.

Remuneration

We are committed to ensuring equality throughout our organisation and eliminating barriers that prevent people from developing their full potential. The Company is committed to equality of opportunity and dignity at work for all, irrespective of race, colour, religion, belief, ethnic or national origins, gender, marital status, sexual orientation, gender reassignment, disability, class or age and it ensures that recruitment and promotion decisions are made solely based on suitability for the job. Accordingly, all remuneration structures are aligned to the long-term sustainable success of the Company, considering all conditions throughout the Company.

Stakeholder relationships and engagement

Internal communication processes and procedures ensure all stakeholders are updated on corporate objectives, trading performance, economic conditions and other relevant matters. A comprehensive internal communications programme has been developed to ensure that information is disseminated effectively across the Company. Regular channels of communication include management conferences, internal bulletins, notice boards, department briefing groups, on-line channels such as regular e-mails and Intranet, and video messages from the Board and senior management teams.

Employment

At Hermes, we are committed to ensuring equality throughout our organisation and eliminating barriers that prevent people from developing their full potential. It is the policy of the Company to comply with all legislative requirements, including the Equality Act 2010 and the Employment Equality Regulations. In offering equality of opportunity to all people applying for employment, selection is made on the basis of the most suitable person for the job in respect of experience and qualifications. Training, career development and promotion are offered to all employees on the basis of their merit and ability. Every effort is made to continue to employ, in the same or alternative employment, and where necessary to retrain, employees who require reasonable adjustments to perform their role effectively during their employment with the Company.

Political donations

The Company made no political donations nor incurred any political expenditure during the current or prior year.

Price risk, credit risk, liquidity risk and cash flow risk

The liquidity risks facing the Company are relatively low given the Company's overall strong cash position and agreed access to Group loan facilities.

The Company trades predominantly within the UK and as such the foreign currency risk is low, and we benefit from an overall general matching of foreign currency income and expense.

The Company adopts prudent credit verification procedures for customers who wish to trade on credit. In addition, receivables balances are monitored on an ongoing basis with the result that the Company's history of bad debt losses is not significant.

The home delivery marketplace remains very competitive in terms of pricing, but the Company benefits from a high percentage of variable costs, and contracts that reflect both general price, and logistics specific, rate increases.

Going concern

After making due enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In making their assessment the Directors have assessed the forecast future cashflows, the company's cash position and the availability of the necessary funding from the Concert Group. When assessing the forecast future cashflows consideration was given to the continued impact of COVID-19 on industry and equity risk factors that may impact the business in the current economic environment. These risk factors were used to create serve but plausible downsides within the forecast future cashflows. The sensitivity of the cashflows as then assessed as part of a stress testing exercise. This identified that the company still has significant headroom on its group borrowing facilities with the next review not due until at least 12 months after signing.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that [he/ she] ought to have taken as a director to make [himself/ herself] aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Board on 28/05/2021 and signed on its behalf by:



Alan Richardson

Capitol House, 1 Capitol Close, Morley, Leeds, West Yorkshire, United Kingdom, LS27 0WH

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent Auditor' Report to the Members of Hermes Parcelnet Limited

Opinion

We have audited the financial statements of Hermes Parcelnet Limited ("the company") for the year ended 27 February 2021 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 February 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent Auditor' Report to the Members of Hermes Parcelnet Limited (Continued)

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition[, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as provisions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals with unusual account pairings with revenue and cash throughout the year.
- Identifying a sample of high-risk revenue transactions recorded pre yearend, comparing the date of revenue recognition to supporting documentation and performing a search post yearend for incorrect recognition pre year end.
- Evaluated the business purpose of significant unusual transactions
- Assessing accounting estimates and accounting entries for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience , through discussion with the directors (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation , taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and regulatory capital recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor' Report to the Members of Hermes Parcelnet Limited (Continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

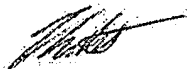
Independent Auditor' Report to the Members of Hermes Parcelnet Limited (Continued)

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Clare Partridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Street
Sovereign Square
Leeds
LS1 4DA

2 June 2021

Profit and Loss Account and Other Comprehensive Income
for the period ended 27 February 2021

	<i>Note</i>	2021 52 weeks £000	2020 52 weeks £000 As Restated
Revenue	2	1,449,910	860,037
Cost of sales		(1,128,473)	(708,631)
Gross profit		321,437	151,406
Administrative expenses		(145,667)	(98,544)
Operating profit before exceptional item		175,770	52,862
Exceptional item	20	(32,360)	-
Operating profit after exceptional item		143,410	52,862
Other interest receivable and similar income	6	47	62
Interest payable and similar expenses	7	(12,608)	(9,821)
Profit before taxation		130,849	43,103
Taxation	8	(23,909)	(8,142)
Profit for the financial year		106,940	34,961
Other comprehensive income		-	-
Total comprehensive income for the year		106,940	34,961

The accompanying notes form part of these financial statements

Balance Sheet
at 27 February 2021

	<i>Note</i>	27/02/21 £000	29/02/20 £000 As Restated
Non-current assets			
Intangible assets	<i>9</i>	50,340	44,490
Property, plant & equipment	<i>10</i>	276,509	207,664
Investments	<i>11</i>	8,253	265
		<hr/>	<hr/>
		335,102	252,419
Current assets			
Trade and other receivables	<i>12</i>	190,359	144,839
Cash and cash equivalents	<i>13</i>	88,920	6,169
		<hr/>	<hr/>
		279,279	151,008
Current liabilities	<i>14</i>	(264,826)	(171,237)
		<hr/>	<hr/>
Net current assets		14,453	(20,229)
		<hr/>	<hr/>
Total assets less current liabilities		349,555	232,190
Non-current liabilities	<i>15</i>	(165,499)	(116,199)
Provisions for liabilities	<i>17</i>	(4,100)	(2,950)
		<hr/>	<hr/>
Net assets		179,956	113,041
		<hr/>	<hr/>
Equity			
Called up share capital	<i>18</i>	1,600	1,600
Profit and loss account		178,356	111,441
		<hr/>	<hr/>
Total equity		179,956	113,041
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

These financial statements were approved by the Board of Directors on 28/05/2021 and were signed on its behalf by:



Alan Richardson

Company registered number: 03900782

Statement of Changes in Equity

	Share Capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 3 March 2019	1,600	94,580	96,180
Total comprehensive income	-	38,071	38,071
Dividend	-	(18,100)	(18,100)
	<hr/>	<hr/>	<hr/>
Balance at 1 March 2020	1,600	114,551	116,151
Effect of adoption of IFRS16	-	(3,110)	(3,110)
	<hr/>	<hr/>	<hr/>
Balance at 1 March 2020 (restated)	1,600	111,441	113,041
Total comprehensive income for the period	-	106,940	106,940
Dividends	-	(40,025)	(40,025)
	<hr/>	<hr/>	<hr/>
Balance at 27 February 2021	<u>1,600</u>	<u>178,356</u>	<u>179,956</u>

The accompanying notes form part of these financial statements

Cash Flow Statement
for period ended 27 February 2021

	<i>Note</i>	2021 52 Weeks £000	2020 52 Weeks £000
Cash flows from operating activities			
Profit for the year		106,940	34,961
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		60,324	51,896
Interest		12,608	9,821
Taxation		23,909	8,142
		<hr/>	<hr/>
(Increase) in trade and other receivables		(45,520)	(26,146)
Increase in trade and other payables		86,913	13,226
		<hr/>	<hr/>
Interest paid		245,417	91,900
Tax paid		(12,608)	(9,821)
		(20,014)	(7,448)
		<hr/>	<hr/>
Net cash from operating activities		212,552	74,631
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of a subsidiary	<i>11</i>	(7,989)	-
Acquisition of property, plant and equipment		(31,212)	(12,469)
Acquisition of other intangible assets		(20,525)	(20,825)
		<hr/>	<hr/>
Net cash from investing activities		(59,726)	(33,294)
		<hr/>	<hr/>
Cash flows from financing activities			
Payment of lease liabilities		(30,050)	(26,018)
Dividends paid		(40,025)	(18,100)
		<hr/>	<hr/>
Net cash from financing activities		(70,075)	(44,118)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		82,751	(2,781)
Cash and cash equivalents brought forward		6,169	8,950
		<hr/>	<hr/>
Cash and cash equivalents carried forward		88,920	6,169
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

1. Accounting policies

Basis of preparation

Hermes Parcelnet Limited (the "Company") is a private Company incorporated, domiciled and registered in England and Wales. The registered number is 03900782 and the registered address is Capitol House, 1 Capitol Close, Morley, Leeds, West Yorkshire, LS27 0WH.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 25.

The Company's ultimate parent undertaking, Concert Topco Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Concert Topco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Capitol House, 1 Capitol Close, Morley, Leeds, West Yorkshire, LS27 0WH.

The accounting reference date for the Company is 28 February. As allowed by s390 (1) of the Companies Act 2006 the Company has opted to adopt the "seven day rule". The seven-day rule provides that a particular financial year need not end on the accounting reference date itself but on a date within not more than seven days of that date as the Directors may determine. In addition, as the Company's normal fiscal calendar is fifty-two weeks of seven days, then every five to six years it is required to add a week to the accounting period to more closely co-terminate with the accounting reference date. Adopting this basis, the accounting period is for the 52 weeks ended 27 February 2021, and the comparative period is the 52 weeks ended 29 February 2020.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Comparative period reconciliations for share capital, property, plant & equipment and intangible assets;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Requirements of paragraphs 52 and paragraph 58 of IFRS16 *Leases*

As the consolidated financial statements of Concert Topco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 29 February 2020 for the purposes of the transition to FRS 101

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

1. Accounting policies (*continued*)

Significant accounting judgements and estimates

The preparation of financial statements requires the Directors to make judgements, estimate and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that believed to be reasonable under the circumstances. There are no judgements made by the Directors in the application of these accounting policies, or estimates with a significant risk of material adjustment in the next year that have significant effect on the financial statements. Actual results may differ from these estimates.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company has generated a profit for the year of £106,940,000 and has net assets at 27 February 2021 of £179,956,000.

After making due enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In making their assessment the Directors have assessed the forecast future cashflows, the company's cash position and the availability of the necessary funding from the Concert Group. When assessing the forecast future cashflows consideration was given to the continued impact of COVID-19 on industry and equity risk factors that may impact the business in the current economic environment. These risk factors were used to create serve but plausible downsides within the forecast future cashflows. The sensitivity of the cashflows as then assessed as part of a stress testing exercise. This identified that the company still has significant headroom on its group borrowing facilities with the next review not due until at least 12 months after signing.

Financial instruments

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

On initial recognition, a financial asset is classified into one of three categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), based on the business model in which the financial asset is managed and its contractual cash flow characteristics. The Company's financial assets are currently all classified within IFRS 9's amortised cost model and comprise cash, trade and other debtors. The Company's financial assets are therefore initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment losses and any gain or loss on derecognition are recognised in the Income Statement.

When calculating impairment provisions the Company assess on a forward-looking basis the expected credit loss associated with its financial assets. For trade receivables, the Company applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from the initial recognition of the receivable.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

1. Accounting policies (*continued*)

Financial liabilities

On initial recognition the Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired: fair value through profit and loss (FVTPL) and amortised cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortised cost unless the fair value option is applied. The Company's financial liabilities include trade and other creditors. They are initially measured at fair value, net of transaction costs and then subsequently measured using the amortised cost model applying the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Any bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment.

- | | |
|---|----------------------------|
| • Land & Buildings | 10-20% |
| • Vehicles | 14-33% |
| • Other Plant, Equipment, Fixtures & Fittings | 4-33% |
| • Right of use assets | Over the term of the lease |

The carrying values of property, plant and equipment reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Intangible assets

Acquired computer software licences are initially capitalised at cost, which includes the purchase price and other directly attributable costs of preparing the assets for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications, and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Costs directly attributable to the internal development of computer software are capitalised when the technical feasibility of the project is demonstrated, the Company has an intention and ability to complete and use the software, and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees and certain contractors directly involved in the project. Research costs are recognised as an expense when incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets as follows:

- | | |
|--|-------|
| • Internally and externally developed software | 5-20% |
|--|-------|

Employee benefits

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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

1. Accounting policies (*continued*)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Revenue in the year represents the revenue, net of discounts, derived from services provided to customers. Revenue is recognised at the fair value of the consideration received or receivable 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 recognised on services when the service has been performed.

Value added tax

The accounting policy is to account for the liability on output VAT at the point at which a service is performed and a sale is recognised. Value added tax is not recorded on revenue to the parent or other group companies, or on services purchased from the parent Company.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

The charge for taxation on profit on ordinary activities is calculated at 19% (2020: 19%). The Deferred tax asset is calculated at 17% (2020: 17%).

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Investments

Investments are valued at cost less provision for any diminution in value.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

1. Accounting policies (*continued*)

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

2. Revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	2021 £000	2020 £000
Rendering of services	1,449,910	860,037
Primary geographical markets		
UK	1,415,042	831,934
Europe	34,868	28,103
Total	1,449,910	860,037

3. Expenses and auditor's remuneration

Included in profit are the following:

	2021 £000	2020 £000 As restated
Depreciation expense	14,893	15,375
Depreciation expense Right-of-use	30,757	25,691
Interest on lease liabilities	12,549	8,965
Expenses relating to short term leases	31,557	19,903
Amortisation expense	14,674	10,282

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	92	60
Amounts receivable by the Company's auditor and its associates in respect of:		
All other non-audit services	10	19

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

4. Staff numbers and costs

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

	Number of employees 2021	2020
Distribution	5,173	3,559

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	156,879	105,947
Social security costs	16,006	10,788
Contributions to defined contribution plans	13,749	6,373
	<u>186,634</u>	<u>123,108</u>

5. Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	968	1,549
Amounts receivable under long term incentive schemes	-	122
Company contributions to money purchase pension plans	-	52

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was £602,500 (2020: £666,000)

	Number of Directors 2021	2020
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	-	3

Director's advances, credit and guarantees

During the year, the company made advances to directors amounting to £650,000 (2020: Nil). These advances are subject to interest at a rate of 2.25% per annum and are repayable upon the earliest occurrence of any of the following maturity date, event of default, completion of an exit or termination of the Borrower's employment. No amounts were repaid, written off or waived during the year (2020: Nil).

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

6. Other interest receivable and similar income

	2021 £000	2020 £000
Interest income on bank deposits	47	29
Interest income from group undertakings	-	33
	<u>47</u>	<u>62</u>

7. Interest payable and similar expense

	2021 £000	2020 £000 As restated
Interest expense from group undertakings	-	679
Interest on obligations under finance leases	124	162
Interest on lease liability	12,549	8,965
Bank Interest	162	-
Interest expense from late tax payment	16	15
Gain on foreign currency translation	(243)	-
	<u>12,608</u>	<u>9,821</u>

8. Taxation

Recognised in the profit and loss account

	2021 £000	2020 £000
<i>UK corporation tax</i>		
Current tax on income for the period	24,003	7,292
Adjustments in respect of prior periods	(1,244)	(650)
Total current tax	<u>22,759</u>	<u>6,642</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	1,250	760
Adjustment for prior periods	(100)	740
Total deferred tax	<u>1,150</u>	<u>1,500</u>
Tax on profit	<u>23,909</u>	<u>8,142</u>

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

8 Taxation (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000 As restated
Profit before tax	130,849	43,103
Corporation tax at standard rate	24,861	8,190
UK deferred tax credit from adjustment for prior periods	(100)	740
Increase (decrease) in current tax from adjustment for prior periods	(1,244)	(650)
Tax decrease from other short-term timing differences	515	56
Effect of expense not deductible in determining taxable profit	(123)	(194)
Total tax expense (including tax on discontinued operations)	23,909	8,142

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £1,295,000.

9. Intangible assets

	Intangible Assets £000	Total £000
Cost		
Balance at 1 March 2020	75,081	75,081
Additions	20,524	20,524
Disposals	(13,995)	(13,995)
Balance at 27 February 2021	81,610	81,610
Amortisation and impairment		
Balance at 1 March 2020	30,591	30,591
Amortisation for the year	14,674	14,674
Disposals	(13,995)	(13,995)
Balance at 27 February 2021	31,270	31,270
Net book value		
Balance at 1 March 2020	44,490	44,490
At 27 February 2021	50,340	50,340

The amount of research and development expenditure relating to R&D tax credits during the period is £850,000 (2020 - £932,421).

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

10. Property, plant & equipment

	Land & Building £000	Vehicles £000	Assets under construction £000	Plant and equipment £000	Total £000
Cost					
Balance at 3 March 2019	15,505	291	-	119,511	135,307
Recognition of right of use assets under IFRS16	89,572	43,576	-	-	133,148
Restated balance at 3 March 2019	105,077	43,867	-	119,511	268,455
Additions	3,691	-	-	8,778	12,469
Additions – Right of use asset	7,509	19,703	-	-	27,212
Disposals – Right of use asset	(312)	(523)	-	-	(835)
Restated Balance at 1 March 2020	115,965	63,047	-	128,289	307,301
Additions	3,436	-	5,783	21,993	31,212
Additions – Right of use asset	38,880	44,403	-	-	83,283
Disposals	(1,228)	-	-	(36,665)	(37,893)
Disposals – Right of use asset	(872)	(2,307)	-	-	(3,179)
Balance at 27 February 2021	156,181	105,143	5,783	113,617	380,724
Depreciation and impairment					
Balance at 3 March 2019	5,465	124	-	53,817	59,406
Depreciation Charge	1,501	167	-	13,707	15,375
Depreciation Charge – Right of use assets	12,045	13,646	-	-	25,691
Disposals – Right of use asset	(312)	(523)	-	-	(835)
Restated balance at 1 March 2020	18,699	13,414	-	67,524	99,637
Depreciation	1,591	-	-	13,302	14,893
Depreciation – Right of use asset	14,440	16,317	-	-	30,757
Disposals	(1,228)	-	-	(36,665)	(37,893)
Disposals – Right of use asset	(872)	(2,307)	-	-	(3,179)
Balance at 27 February 2021	32,630	27,424	-	44,161	104,215
Net book value					
At 29 February 2020	97,266	49,633	-	60,765	207,664
At 27 February 2021	123,551	77,719	5,783	69,456	276,509

Right-of-use assets

At 27 February 2021, property, plant and equipment includes right-of-use assets as follows:

	Land & Buildings £000	Vehicles £000	Total £000
Right-of-use asset			
At 3 March 2019	89,572	43,576	133,148
At 1 March 2020	85,036	49,633	134,669
At 27 February 2021	109,476	77,719	187,195

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

11. Fixed asset investments

	2021 £000	2020 £000
Investments in subsidiaries	8,253	265

During the year the Company acquired the share capital of Hermes European Logistics Limited.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows

	Country of incorporation	Holding	Ownership 2021	2020
Hermes General Services (UK) Limited	England & Wales	Ordinary	100%	100%
Parcelnet Limited	England & Wales	Ordinary	100%	100%
Hermes European Logistics Limited	England & Wales	Ordinary	100%	-

All companies are registered at Capitol House, 1 Capitol Close, Morley, Leeds, LS27 0WH.

12. Debtors

	2021 £000	2020 £000
Trade debtors and accrued income	177,022	100,753
Amounts owed by group undertakings	-	34,468
Prepayments	13,337	9,618
	<u>190,359</u>	<u>144,839</u>

Amounts owed by group undertakings are repayable on demand and are interest free.

13. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	88,920	6,169
	<u>88,920</u>	<u>6,169</u>

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

14. Current liabilities

	2021 £000	2020 £000 As Restated
Trade creditors	73,897	40,656
Lease liability	30,687	26,756
Amounts owed to group undertakings	5,079	28,199
Corporation tax	3,138	393
Taxation and social security	31,800	17,511
Other creditors	5,597	557
Accruals and deferred income	114,628	57,165
	<u>264,826</u>	<u>171,237</u>

Amounts owed to group undertakings are repayable on demand and interest free

15. Non-current liabilities

	2021 £000	2020 £000 As Restated
Lease liability	165,499	116,199
	<u>165,499</u>	<u>116,199</u>

Lease liabilities

	2021 £000	2020 £000 As Restated
Maturity analysis		
Less than one year	30,687	26,756
One to five years	79,091	60,302
More than five years	86,408	55,898
	<u>196,186</u>	<u>142,956</u>
Balance at 27 February 2021	<u>196,186</u>	<u>142,956</u>

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

16. Leases

Amounts recognised in property, plant & equipment

	Vehicles £000	Land & Buildings £000	Total £000
Right of use asset NBV brought forward	49,633	85,036	134,669
Additions to right-of-use assets	44,403	38,880	83,283
Depreciation charge for the year	(16,317)	(14,440)	(30,757)
	<hr/>	<hr/>	<hr/>
Balance at 27 February 2021	77,719	109,476	187,195
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2021 £000
Interest expense on lease liabilities	12,549
Expenses relating to short-term leases	31,557
	<hr/>
	44,106
	<hr/> <hr/>
	2020 £000
Lease expense under FRS102	29,532
	<hr/>
	29,532
	<hr/> <hr/>

17. Provisions

	Deferred Tax £000	Total £000
Balance at 1 March 2020	2,950	2,950
Increase in existing provisions	1,150	1,150
	<hr/>	<hr/>
Balance at 27 February 2021	4,100	4,100
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. These obligations are expected to reverse in coming years.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

18. Share capital

Allocated, called up and fully paid shares

	2021 No. 000	2021 £000	2020 No. 000	2020 £000
Ordinary of £1 each	1,600	1,600	1,600	1,600
	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>

19. Dividends

	2021 £000	2020 £000
Final Dividend	40,025	18,100
	<u>40,025</u>	<u>18,100</u>

20. Exceptional item

The Company was previously a member of two larger group-wide pension schemes providing benefits based on a defined benefit basis. In March 2009, the pension schemes were closed to future accrual. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by applicable accounting standards, the schemes have been accounting for as if they were a defined contribution scheme.

The results of the latest Grattan group and Freemans group schemes and the assumptions having most significant impact on the results of the valuations are disclosed in the Grattan PLC and Freemans Plc financial statements respectively.

The most recent valuation of the Grattan group scheme at 5 April 2018 was updated on a FRS102 basis at 20 February 2020 and this valuation produced a net asset of £0.3m (2019: £2.1m deficit). The most recent valuation of the Freemans group scheme at 5 April 2018 was updated on a FRS102 basis at 29 February 2020 and this valuation produced a net deficit of £28.2m (2019: £25.9m deficit).

As part of the sale of the business by Otto Group, the sale agreement included a settlement of the Company's obligations to the group-wide pension scheme. The Company paid £32,360,000 to settle its outstanding obligations to the scheme.

21. Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £33,493,000 (2020 - £27,613,000).

	2021 £000	2020 £000
Contracted	33,493	27,613
Authorised by the Directors but not contracted	9,952	21,808
	<u>43,445</u>	<u>49,421</u>

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

22. Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contributions scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary.

The pension cost charge for the year represents contributions payable by the Company to the scheme and amount to £13,749,000 (2020 - £6,373,151)

Defined benefit pension scheme

Group-Wide Scheme

The Company was previously a member of two larger group-wide pension schemes providing benefits based on a defined benefit basis. In March 2009, the pension schemes were closed to future accrual. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by applicable accounting standards, the schemes have been accounting for as if they were a defined contribution scheme.

The results of the latest Grattan group and Freemans group schemes and the assumptions having most significant impact on the results of the valuations are disclosed in the Grattan PLC and Freemans Plc financial statements respectively.

The most recent valuation of the Grattan group scheme at 5 April 2018 was updated on a FRS102 basis at 20 February 2020 and this valuation produced a net asset of £0.3m (2019: £2.1m deficit).

The most recent valuation of the Freemans group scheme at 5 April 2018 was updated on a FRS102 basis at 29 February 2020 and this valuation produced a net deficit of £28.2m (2019: £25.9m deficit).

During the year the Company paid £32,360,000 to settle its outstanding obligations to the schemes.

23. Critical accounting estimates and judgements

Leases

A contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for payments to be made to the owners (lessors) is accounted for as a lease. Contracts are assessed to determine whether a contract is, or contains, a lease at the inception of a contract or when the terms and conditions of a contract are significantly changed. The lease term is the non-cancellable period of a lease, together with contractual options to extend or to terminate the lease early, where it is reasonably certain that an extension option will be exercised or a termination option will not be exercised.

At the commencement of a lease contract, a right-of-use asset and a corresponding lease liability are recognised, unless the lease term is 12 months or less. The commencement date of a lease is the date on which the underlying asset is made available for use. The lease liability is measured at an amount equal to the present value of the lease payments during the lease term that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease. If that rate is not readily available, the incremental borrowing rate is applied. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar nature and value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

24. Ultimate parent Company and parent Company of larger group

During the period the Company was purchased by the Concert Group which has resulted in a change in its ultimate and immediate parent.

The Company's immediate parent is Concert Bidco Limited, incorporated in England and Wales.

The parent Company of the smallest group of undertakings for which group accounts are drawn up, and of which Hermes Parcelnet Limited is a member, is that headed by Concert Topco Limited, a Company incorporated in England and Wales.

The ultimate parent Company is AI Concert Cayman Limited.

25. Explanation of transition to FRS 101 from FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 27 February 2021, the comparative information presented in these financial statements for the year ended 29 February 2020 and in the preparation of an opening FRS 101 balance sheet at 3 March 2019 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

Reconciliation of equity

		3 March 2019		29 February 2020			
			Effect of transition to FRS 101		Effect of transition to FRS 101		
	Note	FRS 102 £000	to FRS 101 £000	FRS 101 £000	FRS 102 £000	FRS 101 £000	FRS 101 £000
Non-current assets							
Intangible assets		33,947	-	33,947	44,490	-	44,490
Property, plant & equipment	A	75,901	133,147	209,048	72,995	134,669	207,664
Investments		265	-	265	265	-	265
		<u>110,113</u>	<u>133,147</u>	<u>243,260</u>	<u>117,750</u>	<u>134,669</u>	<u>252,419</u>
Current assets							
Trade debtors and accrued income		100,315	-	100,315	100,753	-	100,753
Amounts owed by group undertakings		9,822	-	9,822	34,468	-	34,468
Prepayments		8,556	-	8,556	9,618	-	9,618
Cash and cash equivalents		8,950	-	8,950	6,169	-	6,169
		<u>127,643</u>	<u>-</u>	<u>127,643</u>	<u>151,008</u>	<u>-</u>	<u>151,008</u>
Current liabilities							
Trade creditors		37,624	-	37,624	40,656	-	40,656
Obligations under finance leases		2,882	-	2,882	2,960	-	2,960
Amounts due to group undertakings		33,351	-	33,351	28,199	-	28,199
Corporation tax		1,199	-	1,199	393	-	393
Social security and other taxes		17,308	-	17,308	17,511	-	17,511
Other payables		599	-	599	557	-	557
Accrued expenses		41,981	-	41,981	57,165	-	57,165
Lease liability	A	-	20,949	20,949	-	23,796	23,796
		<u>134,944</u>	<u>20,949</u>	<u>155,893</u>	<u>147,441</u>	<u>23,796</u>	<u>171,237</u>
Net current assets		<u>(7,301)</u>	<u>(20,949)</u>	<u>(28,250)</u>	<u>3,567</u>	<u>(23,796)</u>	<u>(20,229)</u>
Non-current liabilities							
Lease liability	A	-	112,198	112,198	-	113,983	113,983
Obligations under finance leases		5,182	-	5,182	2,216	-	2,216
		<u>5,182</u>	<u>112,198</u>	<u>117,380</u>	<u>2,216</u>	<u>113,983</u>	<u>116,199</u>
Provisions for liabilities		<u>1,450</u>	<u>-</u>	<u>1,450</u>	<u>2,950</u>	<u>-</u>	<u>2,950</u>
Net assets		<u>96,180</u>	<u>-</u>	<u>96,180</u>	<u>116,151</u>	<u>(3,110)</u>	<u>113,041</u>
Equity							
Called up share capital		1,600	-	1,600	1,600	-	1,600
Profit and loss account	A	94,580	-	94,580	114,551	(3,110)	111,441
Total equity		<u>96,180</u>	<u>-</u>	<u>96,180</u>	<u>116,151</u>	<u>(3,110)</u>	<u>113,041</u>

Hermes Parcelnet Limited

Notes to the Financial Statements for the Period Ended 27 February 2021

Notes to the reconciliation of equity

a) Adoption of IFRS16

The adoption of IFRS16 has resulted in the recognition of right of use assets and a lease liability in line with the applicable accounting standards. The Company's approach to recognising leases under IFRS16 is disclosed in Note 1. As permitted under IFRS 16 the Company has elected to recognise all associated lease costs in the calculation of the IFRS16 asset and liability. Leases less than £1,000 or contracted for less than 12 months have not been included in the calculation of the IFRS16 asset and liability.

Reconciliation of profit

	Note	FRS 102 £000	2020 Effect of transition to FRS 101 £000	FRS 101 £000
Revenue		860,037	-	860,037
Cost of sales		(740,725)	32,094	(708,631)
Gross profit		119,312	32,094	151,406
Administrative expenses	A	(72,305)	(26,239)	(98,544)
Operating profit		47,007	5,855	52,862
Other interest receivable and similar income		62	-	62
Interest payable and similar expenses	A	(856)	(8,965)	(9,821)
Profit before taxation		46,213	(3,110)	43,103
Taxation		(8,142)	-	(8,142)
Profit for the year		38,071	(3,110)	34,961

Notes to the reconciliation of profit

a) Adoption of IFRS16

The recognition of IFRS16 right of use assets and IFRS16 liability has resulted in a subsequent increase in the interest charge and depreciation charge in line with the requirements of IFRS16.