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EVO Business Supplies Limited (formerly Newco 123 Limited)

Annual report and consolidated financial statements

31 December 2014

Registered number 09060494

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

REPORT AND FINANCIAL STATEMENTS 2014

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EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R R Baldrey
J Samuel
P J Yendell
M Deering
A P Gale
S Haworth
J S Burkill

SECRETARY

L Mendelsohn

REGISTERED OFFICE

K House
Sheffield Business Park
Europa Link
Sheffield
S9 1XU

BANKERS

The Royal Bank of Scotland plc
2 Whitehall Quays
Leeds
LS1 4HR

AUDITOR

Deloitte LLP
Chartered Accountants & Statutory Auditor
Leeds

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

STRATEGIC REPORT

The directors present their annual report and the audited consolidated financial statements for the period ended 31 December 2014

Business review and results
It is important that the basis of preparation of these results is understood The 2014 and 2013 results include the results of the Vasanta Group, while the o2o results are only included from the acquisition date in October 2014 This in line with UK GAAP merger and acquisition accounting rules, which are explained in Note 1 The comparative information provided in this Strategic Report and the Directors' Report therefore relates to the legacy Vasanta Group

Group turnover for the year ended 31 December 2014 was £481 7 million (2013 £414 9 million) and EBITDA, (profit before interest, taxation, depreciation, goodwill amortisation and exceptional items), was £10 3 million (2013 £7 3 million)

The loss before taxation for the year was £4 8 million (2013 profit of £0 4 million) with the 2014 result reflecting the exceptional charge incurred during this short trading period for the combined entity

The directors are pleased with the improvement in the Vasanta business during 2014 with turnover increasing by £33 4 million (8 1%) and operating profit (before exceptional items) increasing by £0 5 million (9 8%) This reflects strong growth in the Vow channel where we continued to win market share with a record number of dealer switches in 2014 By geography the growth was significant in the South East, while by product category we saw strong growth in Traditional (+9%) and Facilities Supplies (+14%) In the o2o business, which is consolidated from 24 October 2014 we have seen a modest turnover YOY decline offset in profit terms by margin and procurement gains

Since the creation of the EVO Group a significant program of integration and rationalisation has commenced, which is reflected in the £6 5 million exceptional charge for the year This program of work will be ongoing into 2015 as we consolidate the back office and infrastructure of the two legacy businesses This will be carried out in a controlled and responsible fashion to ensure that our focus on customer service does not slip and to ensure we treat all employees fairly during this transitional period Regrettably a number of people will be leaving the business as a result of this process and we thank all of the EVO employees for their service and professionalism during this transitional period

From a balance sheet perspective the structure of the deal has resulted in the Vasanta shareholders rolling a significant proportion of their value into management loan notes, which are classed as debt instruments rather than equity under UK GAAP As a result we ended 2014 with negative net assets of £4 9 million (2013 positive net assets of £12 9 million) To be clear this simply reflects accounting presentation and transaction structuring

One of the first tasks for the EVO Group was to consolidate the financing structure for the new group This was completed, subsequent to the year end, in April 2015 with a £100 million invoice and inventory facility from PNC being implemented with an initial 3 year term Vasanta has worked with PNC for a number of years and our close relationship made them our first choice financial partner Thus the directors are pleased to complete this project, which will provide the business with significant cash headroom moving forward and has enabling £5 million of the Vasanta Tier 2 facility to be repaid on completion with £9m of further legacy debt facilities to be retired in 2015 The go forward EVO business is funded by an invoice and inventory facility supplemented by debt instruments and a £5 million RCF facility provided by our shareholders

The business has operated with a satisfactory level of cash headroom during 2014 and has benefited from further improvements in creditor terms with Vasanta suppliers during 2014 The process of combining the supplier base for the two legacy business is expected to provide further procurement gains and more payment terms improvements in 2015

Accordingly the Directors are confident of delivering improved trading results in 2015 based on a focus on customers and service while leveraging the benefits available from integrating the legacy businesses

STRATEGIC REPORT

Future Prospects
The external commercial environment is expected to remain challenging in 2015 and while we are cautiously optimistic that the UK and Irish economic environment is improving we are proceeding on the basis that the overall markets we serve will not improve We believe that our end user customers will increasingly use tenders and competitive bids as a way of reducing their prices and, therefore, costs We remain confident, however, that we will improve on our 2014 level of performance in the year ahead as we work through the integration of the Vasanta and o2o businesses, and leverage our Group infrastructure We are winning market share in existing sales channels, developing strongly in emerging sales channels, whilst evolving our product range offering to meet market demand Combined with the benefits of integration, tight cost control and a steadily improving operational platform, we believe we have momentum moving into 2015, which will drive another year of improvement in our financial results Indeed the trading results in January and February 2015 were ahead of our expectations and bode well for the full year to come Thus we are cautiously optimistic

Key Performance Indicators (KPIs)
The most significant key performance indicators used by the Group are financial Management monitors the performance of the business against budget and prior year results

The key operating KPIs are revenue, margin, (both at a screen and net level), trading contribution, (profit after buying costs, rebates, sales overheads and logistics costs), and EBITDA (equivalent to operating profit before depreciation, goodwill amortisation and exceptional items) Our results against these measures are set out in the Profit and Loss Account (page 10) and related notes Management also monitors profitability by customer account and by product category

Management receive daily, weekly and monthly performance reports that include both financial and non-financial measures The key non-financial KPIs are order fill rates and a variety of statistics on our cost to serve

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

Price / customer risk – the market for business supplies remains highly competitive and by focussing on customer service, the high availability of products, maintaining a low cost to serve and developing strong relationships with customers, the company seeks to minimise the risk of sales / customer loss

Credit risk – a significant financial exposure faced by the company relates to credit risk, primarily to its trade debtors Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual terms In 2014 we have again been able to secure further year on year increases in credit insurance cover on our customer base, but the backbone of our credit risk management remains our in-house credit risk review processes and monitoring, which are crucial to managing credit risk in an informed manner This involves making hundreds of customer visits each year and regular reviews at various levels of management Where customers require support our approach involves taking security through personal guarantees, property charges etc and adjusting commercial terms to ensure that we appropriately manage risk We are seeking to build long term relationships with our customers and our approach is one of partnership

Liquidity / cash flow risk – the company is financed at a Group and company level by a combination of an invoice finance and inventory facility with PNC Business Credit, (a trading style of PNC Financial Services Limited), and shareholder term debt instruments that carry variable rates of interest A new facility to essentially combine the legacy Vasanta and o2o facilities was put in place in April 2015 On the Vasanta side this expanded the facility to cover inventory and increased the quantum of funding available across the Group As a result of this refinancing we have been able to retire some legacy Vasanta debt while retaining sensible headroom for the EVO Group The appropriateness of the respective financing facilities will continue to be reviewed periodically by management and the Group Board The Invoice Finance and Inventory facilities are secured against the Group debtor book and inventory, with a second charge over the other assets of the business We have established a strong working relationship with PNC Business Credit over the last few years and we are pleased to be able to extend this relationship As a result the Directors believe that the financing in place is both appropriate to the needs of the business and provides the necessary headroom to support our expansion plans

STRATEGIC REPORT

Principal Risks (continued)
Supplier credit provides a further key source of funding for the Group and Company This is influenced by the credit view of the credit insurance community and the credit rating agencies Management update the credit insurance community monthly and monitor the ongoing cash headroom of the business on a daily basis Management will continue to hold regular update meetings with suppliers and credit insurers and will continue with our open style of communication, which we believe has been and remains fundamental to our way of working with our supplier partners. The Directors are pleased with the positive developments in this area during 2014, where we have seen some significant improvements in both supplier terms and increases in credit insurance coverage accorded to our supplier partners

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

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

The Group headed by EVO Business Supplies Limited has prepared a forecast that shows, taking account of reasonably possible changes in trading performance and the factors noted above, that the group is capable of operating within the level of its current facilities for a period of at least twelve months from the date of signature of these statutory accounts

Our new Group invoice and inventory facility has an initial 3 year term and commenced at in April 2015 Over the coming 12 months we are scheduled to repay the remaining £5 million of our Vasanta Tier 2 facility and our £4 million Vasanta Tier 3 facility Our cash projections indicate that these shareholder debt repayments can be satisfactorily accommodated, while leaving the business with a more than adequate level of cash headroom

The Group faces very limited covenants as a result of the April 2015 refinancing Our Tier 2 and Tier 3 debt instruments do not contain any covenant tests and will be fully repaid before the end of 2015 While our invoice finance facility provided by PNC Business Credit (a trading style of PNC Financial Services Limited) provides significant headroom based on current forecasts with no issues foreseen during the period under review We have established a strong relationship with all of our finance providers and we look forward to working with them as we continue to grow the business.

After making enquiries, 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 annual report and accounts

By order of the board

A P. Gale
Chief Financial Officer
K House
Sheffield Business Park
Europa Link
Sheffield
S9 1XU

29 April 2015

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

DIRECTORS' REPORT

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

Company Background
The company was incorporated on 28 May 2014, under the name Newco 123 Limited, and was subsequently changed to EVO Business Supplies Limited on 29 July 2014

On 24 October 2014 the Company acquired the entire share capital of o2o Limited for cash consideration of £19 0 million On 28 October 2014 the Company acquired the entire share capital of Vasanta Group Holdings Limited in exchange for 658,547 ordinary shares of £1 each and management loan notes of £13 6 million

Directors
The directors who held office during the year and subsequent to the balance sheet date were as follows

G Wilson (appointed 28 May 2014, resigned 24 October 2014)
D Forshaw (appointed 28 May 2014, resigned 24 October 2014)
R R Baldrey (appointed 24 October 2014)
J Samuel (appointed 27 October 2014)
M Deering (appointed 5 August 2014)
P J Yendell (appointed 5 August 2014)
A P Gale (appointed 24 October 2014)
S Haworth (appointed 24 October 2014)
J S Burkill (appointed 24 October 2014)

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

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

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

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

During the year, employees have been provided with information about the company through our internal intranet website Regular meetings are held between local management and employees to allow a free flow of information and these are complimented by periodic briefings from the Chief Executive Officer In addition, we have undertaken a staff survey in December 2014, which provided positive feedback for management Finally, in January 2015 we held an event for employees to recap on 2014 and set the scene for the year ahead

Political Donations
No political donations were made during 2014 or 2013

Dividends
No interim dividend was paid during the year, (2013 £nil), and the directors recommend that no final dividend be declared, (2013 £nil) Accordingly, the retained loss of £4 3 million (2013 profit of £0 2 million) will be transferred to reserves

DIRECTORS' REPORT

Disclosure of Information to Auditor

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

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

By order of the board

A. P Gale
Chief Financial Officer
K House
Sheffield Business Park
Europa Link
Sheffield
S9 1XU

29 April 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVO BUSINESS SUPPLIES LIMITED (FORMERLEY NEWCO 123 LIMITED)

We have audited the financial statements of EVO Business Supplies Limited for the period ended 31 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheet, the Consolidated Cashflow Statement, and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditors' 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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVO BUSINESS SUPPLIES LIMITED (FORMERLEY NEWCO 123 LIMITED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
29 April 2015

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2014

£ million	Note	Year ended 31 December 2014 Before exceptional items	Exceptional items (note 4)	Total	Year ended 31 December 2013 Before exceptional items	Exceptional items (note 4)	Total
TURNOVER	2						
Continuing operations							
Existing		443 0	-	443 0	414 9	-	414 9
Acquisitions		38 7	-	38 7	-	-	-
		481 7	-	481 7	414 9	-	414 9
Cost of sales		(386 8)	-	(386 8)	(339 8)	-	(339 8)
Gross profit		94 9	-	94 9	75 1	-	75 1
Operating expenses (net)	3	(88 4)	(6 5)	(94 9)	(70 1)	(1 1)	(71 2)
Operating profit before amortisation of goodwill, depreciation and exceptionals		10 3	(4 5)	5 8	7 3	(1 1)	6 2
Depreciation of tangible fixed assets	11	(2 8)	(2 0)	(4 8)	(2 3)	-	(2 3)
Amortisation of goodwill and intangible assets	10	(1 0)	-	(1 0)	-	-	-
OPERATING (LOSS) / PROFIT							
Continuing operations							
Existing		5 6	(3 1)	2 5	5 0	(1 1)	3 9
Acquisitions		0 9	(3 4)	(2 5)	-	-	-
		6 5	(6 5)	-	5 0	(1 1)	3 9
Other finance costs	27	0 1	-	0 1	(0 1)	-	(0 1)
Net interest payable and similar charges	7	(4 9)	-	(4 9)	(3 4)	-	(3 4)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	1 7	(6 5)	(4 8)	1 5	(1 1)	0 4
Tax on (loss) / profit on ordinary activities	9	0 5	-	0 5	(0 2)	-	(0 2)
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR	22,23	2 2	(6 5)	(4 3)	1 3	(1 1)	0 2

The above results arose from continuing operations

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

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2014

£ million	Note	Year ended 31 December 2014	Year ended 31 December 2013
(Loss) / profit for the financial year		(4 3)	0 2
Actuarial gain relating to the pension schemes	27	1 7	2 3
FRS 17 restriction of pension scheme surplus – John Heath scheme	27	(1 9)	(2 2)
Retranslation exchange loss	22	(0 7)	-
Total recognised gains and losses relating to the year		(5 2)	0 3

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

CONSOLIDATED BALANCE SHEET

31 December 2014

£ million	Note	2014	2013
FIXED ASSETS			
Customer relationships, tradenames and patents	10	36 4	-
Positive goodwill	10	31 3	2 5
Negative goodwill	10	(0 7)	(1 0)
Goodwill		30 6	1 5
Intangible assets		65 0	1 5
Tangible assets	11	23 1	18 9
		88 1	20 4
CURRENT ASSETS			
Stock	13	51 8	38 5
Debtors	14	120 4	84 2
Cash at bank and in hand		3 2	1 6
		175 4	124 3
CREDITORS Amounts falling due within one year	15	(204 5)	(111 6)
NET CURRENT (LIABILITIES) / ASSETS		(29 1)	12 7
TOTAL ASSETS LESS CURRENT LIABILITIES		59 0	33 1
CREDITORS: Amounts falling due after more than one year	16	(53 8)	(14 2)
PROVISIONS FOR LIABILITIES	18	(9 0)	(6 0)
NET (LIABILITIES) / ASSETS EXCLUDING PENSION LIABILITY		(3 8)	12 9
Pension Liability	27	(1 1)	-
NET (LIABILITIES) / ASSETS INCLUDING PENSION LIABILITY		(4 9)	12 9
CAPITAL AND RESERVES			
Called-up share capital	19	1 7	-
Share premium account	20	-	18 8
Profit and loss account	22	(11 1)	(5 9)
Merger reserve	21	4 5	-
SHAREHOLDERS' (DEFICIT) / FUNDS	23	(4 9)	12 9

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

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

COMPANY BALANCE SHEET

31 December 2014

£million	Note	2014
FIXED ASSETS		
Investments	12	35 7
CURRENT ASSETS		
Debtors	14	16 6
Cash at bank and in hand		0 5
		17 1
CREDITORS: Amounts falling due within one year	15	(3 8)
NET CURRENT ASSET		13 3
TOTAL ASSETS LESS CURRENT LIABILITIES		49 0
CREDITORS: Amounts falling due after one year	16	(49 4)
NET LIABILITIES		(0 4)
CAPITAL AND RESERVES		
Called-up share capital	19	1 7
Share premium account	20	-
Profit and loss account	22	(2 1)
SHAREHOLDERS' DEFICIT	23	(0 4)

These financial statements were approved by the Board of Directors on 29 April 2015

Signed on behalf of the Board of Directors

R. R Baldrey

Director

A P. Gale

Director

Company registered number 09060494

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

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 December 2014

£ million	Note	Year Ended 31 December 2014	Year Ended 31 December 2013
Net cash inflow from operating activities	24a	18 4	11 3
Returns on investments and servicing of finance			
Interest paid		(3 3)	(2 8)
Net cash outflow from returns on investments and servicing of finance		(3 3)	(2 8)
Taxation			
UK corporation tax repayment / (paid)		0 1	(0 2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6 4)	(6 6)
Acquisition and disposals			
Purchase of subsidiary undertaking		(21 5)	(0 7)
Invoice finance facility acquired with subsidiary undertaking		(21 2)	(0 9)
Cash (outflow) / inflow before financing		(33 9)	0 1
Financing			
Invoice financing facility		8 7	0 8
Issue of ordinary share capital		1 0	-
Repayment of bank loans		(12 5)	-
Loans drawn down		38 8	-
Capital element of finance lease payments		-	(0 1)
Financing costs		(0 5)	-
Net cash inflow from financing		35 5	0 7
Increase in net cash in the year	24c	1 6	0 8

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

1 ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of EVO Business Supplies Limited, (EVO), and its subsidiary undertakings drawn up to 31 December for each year presented

The financial statements reflect the acquisition of o2o Limited, (o2o), and subsidiaries on 24 October 2014, and Vasanta Group Holdings Limited, and subsidiaries, (VGHL), on 28 October 2014

In accordance with FRS 6 "Acquisitions and Mergers", the results of VGHL and EVO have been prepared using merger accounting principles applicable for group reconstructions Under merger accounting the results and cash flows of VGHL and EVO are combined from the beginning of the financial period in which the merger occurred

The o2o Group of companies are consolidated under acquisition accounting principles, with the results of the Group included from the date of acquisition

To aid the understanding of users, a proforma Profit and Loss Account for the year ended 31 December 2014 has been included in the notes to these financial statements to show the combined results of the Group for the full year The basis of preparation of this proforma is shown in note 27

Related party transactions with wholly owned group members are not disclosed as permitted by FRS 8 "Related Party Disclosures"

No profit and loss account is presented for EVO Business Supplies Limited as provided by Section 408 of the Companies Act 2006 The company incurred a £2 1m loss during the period

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts Further detail is given in the Directors' Report

Intangible assets

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

1. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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

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

Managed Procurement	15 years
Banner Managed Communications	12 years

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

Managed Procurement	5 years
Banner Managed Communications	5 years

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

Managed Procurement	17 years

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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

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

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

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

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

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

Taxation

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

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

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

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

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

1 ACCOUNTING POLICIES (continued)

Pension costs

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

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

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

The o2o Group maintain a defined benefit pension scheme for former employees of Her Majesty's Stationery Office, which requires contributions to be made to a separately administered fund The scheme is closed to new members The scheme closed to future accrual on 31 December 2011 The scheme is administered by trustee directors of Banner Business Supplies (Pensions) Limited, which is a wholly owned subsidiary of office2office (UK) plc, a subsidiary company of office2office plc

The net surplus or deficit of the defined benefit pension scheme is calculated in accordance with FRS 17, 'Retirement Benefits', based on the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Pension costs (continued)

A valuation is performed annually by an independent actuary Further details in respect of the assumptions used in providing the valuation are included in note 27 to the financial statements

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

Hire purchase commitments and operating leases

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

Onerous leasehold property contracts

In accordance with the requirements under FRS 12 "Provisions, Contingent Liabilities and Contingent Assets", the group has made provision in respect of onerous leasehold property contracts Further information on the movements in this provision is given in note 18

Foreign currency

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

Finance Costs

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

Debt

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

2 TURNOVER

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

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

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

3 OPERATING EXPENSES (NET)

£ million	Year ended 31 December 2014	Year ended 31 December 2013
Distribution costs	42 4	33 2
Administrative expenses	46 7	35 7
Depreciation and impairment of tangible fixed assets	4 8	2 3
Amortisation of intangible assets and goodwill	1 0	-
	94 9	71 2

4 EXCEPTIONAL COSTS

£million	Year ended 31 December 2014	Year ended 31 December 2013
Reorganisation costs	2 3	0 3
Fixed asset impairment	2 0	-
Acquisition costs	0 8	-
Retention bonuses	0 5	-
Strategic review	0 3	0 3
Site closure costs	0 3	-
Integration costs	0 6	-
Onerous lease (release) charges	(0 2)	0 4
Dilapidations (credit) / charges	(0 1)	0 1
Exceptional cost	6 5	1 1

The 2014 reorganisation costs relate to the cost of redundancies arising from the integration of the o2o Group into the Vasanta infrastructure and back office The key items relate to the decision to close the o2o Manchester warehouse and the integration of o2o's Norwich based corporate and finance teams The prior year charge reflects the cost of redundancies arising from management restructuring in the period

The fixed asset impairment arises as a result of a review of the IT assets given the o2o Group integration, which commenced in Q4 and builds in an allowance for the delay in completing projects and realising benefits as a result of the Group IT integration plans

4 EXCEPTIONAL COSTS (CONTINUED)

Acquisition costs reflect the legal and professional fees incurred that are deemed attributable to EVO's acquisition of the Vasanta Group of companies

The retention bonuses reflect payments to the o2o Senior Management team in relation to EVO's acquisition of the o2o Group

The strategic review costs relate to professional adviser fees incurred in relation to the development of the organisation's strategic business plan

Site closure costs reflect expenditure associated with the closure of the Manchester warehouse location, the partial closure of Norwich and the elimination of a number of cross dock locations

The integration costs relate to expenditure, other than that noted above, incurred in relation to integration planning and execution relating to the o2o Group acquisition

The onerous lease (credit) / charge in 2014 and 2013 respectively, reflects the movement on the unexpired contractual liability on vacant locations discounted to 31 December 2014 and 31 December 2013 In particular the 2014 credit reflects the surrender on favourable terms of the Gilmorton Road location, partly offset by charges for o2o exited sites

In 2014 a credit arises due to the final settlement of the dilapidation charge at Meadowhall, Sheffield, which was vacated four years ago The base 2014 and 2013 dilapidations charge reflects reassessment of the provision for discounted future termination costs at certain vacated sites

5 STAFF NUMBERS AND EXPENSES

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

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Distribution and warehousing	479	404
Sales and administration	815	713
	1,294	1,117

Their aggregate remuneration comprised

£million	Year ended 31 December 2014	Year ended 31 December 2013
Wages and salaries	40 8	31 3
Social security costs	3 4	2 7
Other pension costs	0 8	0 5
	45 0	34 5

No staff were employed by the company

6 REMUNERATION OF DIRECTORS

Remuneration of the directors, included in note 5, was as follows

£million	Year ended 31 December 2014	Year ended 31 December 2013
Emoluments	1 2	0 8
	1 2	0 8

Pensions

One of the directors (2013 one) was a member of a defined contribution scheme

Highest paid director

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

£million	Year ended 31 December 2014	Year ended 31 December 2013
Emoluments	0 4	0 2

7 NET INTEREST PAYABLE AND SIMILAR CHARGES

£million	Year ended 31 December 2014	Year ended 31 December 2013
Interest payable and similar charges		
Senior bank loan	0 1	-
Investor loans	1 1	1 1
Invoice finance facility	2 0	1 8
Amortisation of debt issue costs	0 6	0 5
Loan notes	0 8	-
Customer procurement card charges	0 1	-
Other interest	0 2	-
	4 9	3 4

Interest on the senior bank loan and loan notes is added to the balances and is not paid during the term This is discussed further in note 16 and the cash interest paid in the year is shown in the consolidated cash flow statement on page 14

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

£million	Year ended 31 December 2014	Year ended 31 December 2013
Is stated after charging / (crediting)		
Depreciation of tangible fixed assets		
Owned assets	2 7	2 2
Leased assets	0 1	0 1
Impairment of tangible fixed assets		
Owned assets	2 0	-
Amortisation of negative goodwill	(0 3)	(0 3)
Amortisation of positive goodwill	0 8	0 3
Amortisation of intangible assets	0 5	-
Operating lease rentals		
Plant and machinery	1 5	1 2
Property	5 2	4 8
Auditor's remuneration for audit services		
Fees payable to the company's auditor for the audit of the company's annual accounts	-	-
Fees payable to the company's auditor and their associates for other services to the group	-	-
The audit of the company's subsidiaries pursuant to legislation	0 1	0 1
Auditor's remuneration for non audit services		
Corporate finance services	0 1	0 3
Taxation	-	-

9 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on (loss) / profit on ordinary activities

£million	Year ended 31 December 2014	Year ended 31 December 2013
Current tax		
United Kingdom corporation tax at 21 49% (2013 23 25%) based on the (loss) / profit for the year	-	-
Adjustments in respect of prior periods	0 5	-
Total current taxation charge	0 5	-
Deferred tax		
Origination and reversal of timing differences	(0 7)	0 2
Adjustment in respect of prior periods	(0 3)	
	(0 5)	0 2

9 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the (loss) / profit before tax is as follows

£million	Year ended 31 December 2014	Year ended 31 December 2013
Loss on ordinary activities before tax	(4 8)	0 4
Tax charge on loss on ordinary activities at the UK corporation tax rate of 21 49% (2013 23 25%)	(1 1)	0 1
Effects of		
Expenses not deductible for tax purposes	0 3	0 4
Differences between capital allowances and depreciation	-	(0 7)
Movement in deferred tax not recognised	0 3	-
Unrelieved tax losses in the period	0 4	0 2
Movement in short term timing differences	0 1	-
Adjustments to prior periods	0 5	
Current tax charge	0 5	-

10 INTANGIBLE FIXED ASSETS

No intangible assets are recorded in the accounts of the company

Group *£million*	Customer Relationships	Tradenames	Patents	Positive Goodwill	Negative Goodwill	Total
Cost						
At 1 January 2014	-	-	-	2 8	(9 1)	(6 3)
Acquisition (see note 25)	30 6	3 4	0 9	29 6	-	64 5
At 31 December 2014	30 6	3 4	0 9	32 4	(9 1)	58 2
Accumulated depreciation						
At 1 January 2014	-	-	-	(0 3)	8 1	7 8
Charge for the year	(0 4)	(0 1)	-	(0 8)	0 3	(1 0)
At 31 December 2014	(0 4)	(0 1)	-	(1 1)	8 4	6 8
Net book value						
At 31 December 2014	30 2	3 3	0 9	31 3	(0 7)	65 0
At 31 December 2013	-	-	-	2 5	(1 0)	1 5

11 TANGIBLE FIXED ASSETS

Group *£million*	Leasehold improvements	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Assets in the course of construction	Total
Cost						
At 1 January 2014	2 2	-	15 1	0 1	11 6	29 0
Additions	-	-	-	-	6 4	6 4
Transfers	0 1	-	2 5	-	(2 6)	-
Acquisition additions (see note 25)	0 6	0 8	1 0	0 2	-	2 6
At 31 December 2014	2 9	0 8	18 6	0 3	15 4	38 0
Accumulated depreciation						
At 1 January 2014	(0 9)	-	(9 1)	(0 1)	-	(10 1)
Charge for the year	(0 4)	-	(2 4)	-	-	(2 8)
Impairment	-	-	-	-	(2 0)	(2 0)
At 31 December 2014	(1 3)	-	(11 5)	(0 1)	(2 0)	(14 9)
Net book value						
At 31 December 2014	1 6	0 8	7 1	0 2	13 4	23 1
At 31 December 2013	1 3	-	6 0	-	11 6	18 9

The impairment charge in the year has been measured by estimating the value in use of the asset The discount rate applied to the future cash flows is 6% The future cash flows are projected over a 10 year period and the long term growth rate used to extrapolate cash flow projections is 1%

Assets held under finance lease have a net book value of £0 1m (2013 £0 1m) Assets in the course of construction relate to plant and equipment

Company

The company holds no tangible fixed assets

12 FIXED ASSET INVESTMENTS

£ million	Company
Cost and net book value	**2014**
Investment in subsidiary undertakings	
At beginning of period	-
Additions during the period	35 7
At 31 December 2014	35 7

The additions during the period comprise £21 5 million in respect of office2office Limited (note 25) and £14 2 million in respect of Vasanta Group Holdings Limited (note 1) The company has investments in the following principal subsidiary undertakings which carry on the business of the sale of business supplies

Items marked with * are indirectly held through a subsidiary entity

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Percentage of shares held
Vasanta Group Holdings Limited	England & Wales	Holding company	100%
office2office Limited	England & Wales	Holding company	100%
Vasanta Group Limited*	England & Wales	Holding company	100%
Kingfield Heath Holdings Limited*	England & Wales	Holding company	100%
Kingfield Heath Investments Limited*	England & Wales	Holding company	100%
Kingfield Heath Group Limited*	England & Wales	Holding company	100%
Kaye Office Supplies Limited*	England & Wales	Holding company	100%
ISA Group Limited*	England & Wales	Holding company	100%
office2office (UK) Limited	England & Wales	Holding company	100%
Olive 1 Limited	England & Wales	Holding company	100%
Vow Europe Limited*	England & Wales	Trading company	100%
Vow (Ireland) Limited*	England & Wales	Trading company	100%
Vow Retail Limited*	England & Wales	Trading company	100%
Supplies Team Limited*	England & Wales	Trading company	100%
Vasanta Europe Limited*	England & Wales	Trading company	100%
Yes2 Limited*	England & Wales	Trading company	100%
Truline Logistics Limited*	England & Wales	Trading company	100%
Banner Business Services Ltd*	England & Wales	Trading company	100%
Banner Business Services (Ireland) Ltd*	Republic of Ireland	Trading company	100%
Banner Document Services Ltd*	England & Wales	Trading company	100%
Accord Office Supplies Limited*	England & Wales	Trading company	100%
TripleArc Limited*	Republic of Ireland	Trading company	100%
Access Plus Marketing Services Ltd*	England & Wales	Trading company	100%

Kingfield Heath Holdings Limited, ISA Group Limited, office2office (UK) Limited, and Olive 1 Limited have a number of dormant wholly owned subsidiary undertakings, all of which are registered in England and Wales, and Northern Ireland

12 FIXED ASSET INVESTMENTS (CONTINUED)

The following dormant subsidiary companies are exempt from audit and from filing individual accounts by virtue of s394A and s448A of the Companies Act 2006

Access Plus Print Management Limited (company number 03344235),
Adversion Limited (company number 03329979),
Banner Managed Communication Limited (company number 07261508),
image2office Limited (company number 04287380),
GL2 Limited (company number 03638906),
Godfrey Lang Limited (company number 00773057),
Software Stationery Holdings Limited (company number 03255699),
Software Stationery Specialists Limited (company number02736545),
TripleArc UK Limited (company number 04533729),
Alpha Data Supplies Limited (company number 01843041),
Alpha Litho Limited (company number 02395651),
Alpha Office Limited (company number 01485148),
Alpha Stationers Limited (company number 01843040),
Banner Business Supplies Limited (company number 06533666),
Colebrook Services Limited (company number 02017814),
esp2office Limited (company number 04283047),
File-It Limited (company number 02291975),
first2office Limited (company number 03687090),

13. STOCKS

	Group	Company	Group
£million	**2014**	**2014**	**2013**
Goods held for resale	51 8	-	38 5

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost

14. DEBTORS

£ million	Group 2014	Company 2014	Group 2013
Amounts falling due within one year			
Trade debtors	92 4	-	68 1
Prepayments and accrued income	14 4	-	6 9
Other debtors	7 0	0 5	5 2
Corporation tax	0 8	-	-
Deferred tax asset	5 8	-	4 0
Amounts owed by group undertakings	-	4 1	-
Amounts falling due aftermore than one year			
Amounts owed by group undertakings	-	12 0	-
	120 4	16 6	84 2

Deferred Tax

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

£million	Asset 2014	Asset 2013
Accelerated capital allowances	2 7	2 0
Losses	2 8	2 0
Short term timing differences	0 3	-
	5 8	4 0

The deferred tax asset in respect of losses is supported by forecasts demonstrating anticipated recovery in the short term Deferred tax in respect of defined benefit pension schemes is shown in note 27

There is an unprovided deferred tax asset of £8 4 million (2013 £6 4 million) relating to tax losses as it is not anticipated that this will be recovered in the short term

The reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and 21% to 20% from 1 April 2015 was enacted as part of the Finance Act 2013 Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts

15 CREDITORS· AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	Group 2014	Company 2014	Group 2013
Invoice finance facility	43 5	-	34 4
Investor loan (note 16)	9 9	-	-
Investor credit facility	3 0	3 0	-
Investor term loan (note 16)	0 3	0 3	-
Trade creditors	100 9	-	46 5
Other creditors	13 6	-	13 4
Accruals and deferred income	22 6	0 5	11 4
Other taxation and social security	10 4	-	5 9
Finance leases (note 17)	0 1	-	-
	204 5	3 8	111 6

16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

£ million	Group 2014	Company 2014	Group 2013
Senior Bank Loan	4 4	-	4 3
Investor Loan	-	-	9 8
Investor Term Loan	11 7	11 7	-
Acquisition Loan Notes	23 8	23 8	-
Merger Loan Notes	13 9	13 9	-
Finance Leases	-	-	0 1
	53 8	49 4	14 2

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

Loans and other borrowings are repayable as follows

£ million	Group 2014	Company 2014	Group 2013
Senior Bank Loans			
Between one and two years	4 4	-	4 3
Investor Loans			
Between one and two years	-	-	9 8
On demand or within one year	9 9	-	-
	9 9	-	9 8
Investor Term Loan			
Between one and two years	2 1	2 1	-
Between two and five years	9 6	9 6	-
	11 7	11 7	-
On demand or within one year	0 3	0 3	-
	12 0	12 0	-
Acquisition Loan Notes			
Between two and five years	23 8	23 8	-
Merger Loan Notes			
Between two and five years	13 9	13 9	-
Finance Leases			
Between one and two years	-	-	0 1
On demand or within one year	0 1	-	-
	0 1	-	0 1

16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The senior bank loan incurs interest at 7% per annum, which is added to the balance as incurred and rolled up The termination date is 29 February 2016, although the current intention is to repay the debt in Q4 2015 This debt carries no covenants and ranks behind the invoice finance facility and the Investor Finance in terms of security

The investor loan, net of issue costs of £0 1m (2013 £0 2m), incurs a 9% per annum interest rate and has a termination date of 30 August 2015 The investor loan does not include any financial covenants, is secured over all Vasanta Group assets other than trade debtors, which they hold a second charge after the IF facility Following the refinancing in March 2015, £5m of this investor loan was repaid, with the final £5m scheduled to be repaid on 30 June 2015

The investor term loan, net of issue costs of £0 5m (2013 £nil), incurs a 6% per annum interest rate and has a termination date of 28 October 2019 The investor loans do not include any financial covenants, are secured over all Vasanta Group assets other than trade debtors, which they hold a second charge after the IF facility

The acquisition loan notes incur interest at 12% per annum, which is currently added to the balance as incurred and rolled up The termination date is 15 August 2019 This debt carries no covenants and ranks behind the invoice finance facility and the Investor Finance in terms of security

The merger loan notes incur interest at 12% per annum, which is currently added to the balance as incurred and rolled up The termination date is 25 February 2020 This debt carries no covenants and ranks behind the invoice finance facility and the Investor Finance in terms of security

17. FINANCE LEASES

Future minimum lease payments under finance leases are as follows

£ million	Group 2014	Company 2014	Group 2013
Within one year	0 1	-	-
Between two and five years	-	-	0 1
Total gross payments	0 1	-	0 1
Less finance charges included above	-	-	-
	0 1	-	0 1

18 PROVISIONS FOR LIABILITIES

£ million Group	At 1 January 2014	Created 2014	On Acquisition 2014	Released 2014	Utilised 2014	At 31 December 2014
Vacant leaseholds	4 6	0 1	0 3	(0 4)	(0 8)	3 8
Dilapidations	1 4	0 4	1 6	(0 2)	(0 2)	3 0
Redundancy	-	2 0	-	-	-	2 0
Claims	-	0 2	-	-	-	0 2
Total provisions	6 0	2 7	1 9	(0 6)	(1 0)	9 0

The provisions for vacant leaseholds and dilapidations relate to total rent payable on vacant properties to the end of the lease less rental income receivable and managements' best estimate of the current cost to restore occupied properties to the state required in the leasehold agreement discounted at the group's cost of capital The vacated leasehold provisions will be utilised as existing agreements unwind and dilapidation liabilities will be settled at the end of the respective lease The underlying leasehold agreements expire between 2015 and 2033

The redundancy provision reflects committed costs of redundancies at 31 December 2014 and the expenditure will be incurred in 2015

The claims provision reflects management's best estimate of the likely outcome of ongoing litigation claims in relation to a potential patent infringement

19 CALLED-UP SHARE CAPITAL

Allotted, called up and fully paid	2014 £m
1,470,858 Ordinary "A" Shares of £1 each	1 5
115,247 Ordinary "B" Shares of £1 each	0 1
72,422 Ordinary "C" Shares of £1 each	0 1
	1 7

During the year the company allotted 1,470,858 Ordinary "A" Shares with a nominal value of £1 5 million for consideration of £1 5 million, 115,247 Ordinary "B" Shares with a nominal value of £0 1 million for a consideration of £0 1 million and 72,422 Ordinary "C" Shares with a nominal value of £0 1 million for a consideration of £0 1 million

20 SHARE PREMIUM

£ million	Group	Company
At 1 January 2014	18 8	-
Elimination on merger	(18 8)	-
At 31 December 2014	-	-

21 MERGER RESERVE

£ million	Group	Company
At 1 January 2014	-	-
Difference on consolidation	4 5	-
At 31 December 2014	4 5	-

22 PROFIT AND LOSS RESERVE

£ million	Group	Company
At 1 January 2014	(5 9)	-
Loss for the financial year	(4 3)	(2 1)
Retranslation exchange loss	(0 7)	-
Actuarial gain relating to the pension scheme	1 7	-
Movement on deferred tax relating to pension asset	(0 3)	-
FRS 17 pension asset restriction	(1 6)	-
At 31 December 2014	(11 1)	(2 1)

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

£ million	Share Capital	Share Premium	Merger Reserve	Profit and Loss Account	Total
As at 1 January 2014	-	18 8	-	(5 9)	12 9
Loss for the financial year	-	-	-	(4 3)	(4 3)
Retranslation exchange loss	-	-	-	(0 7)	(0 7)
Actuarial gain relating to the pension scheme	-	-	-	1 7	1 7
Movement on deferred tax relating to pension asset	-	-	-	(0 3)	(0 3)
FRS 17 pension asset restriction	-	-	-	(1 6)	(1 6)
Impact of merger accounting	1 7	(18 8)	4 5	-	(12 6)
As at 31 December 2014	1 7	-	4 5	(11 1)	(4 9)

Group

£ million	2014	2013
(Loss) / profit for the financial year	(4 3)	0 2
Retranslation exchange loss	(0 7)	-
Actuarial gain relating to the pension scheme	1 7	2 3
Movement on deferred tax relating to pension asset	(0 3)	(0 5)
FRS 17 pension asset restriction	(1 6)	(1 7)
Impact of merger accounting	(12 6)	-
Net increase in shareholders' funds	(17 8)	0 3
Opening shareholders' funds	12 9	12 6
Closing shareholders' (deficit) / funds	(4 9)	12 9

Company

£ million	2014
Loss for financial year	(2 1)
Issue of share capital	1 7
Net increase shareholders' deficit	(0 4)
Opening shareholders' funds	-
Closing shareholders' deficit	(0 4)

24 CASH FLOW INFORMATION

a) Reconciliation of operating profit to operating cash flows

£ million	Year ended 31 December 2014	Year ended 31 December 2013
Operating profit	-	3 9
Amortisation of goodwill and intangibles	1 0	-
Depreciation and impairment of tangible fixed assets	4 8	2 3
Decrease / (increase) in stocks	(5 5)	2 9
(Increase) / decrease in debtors	0 1	(2 2)
Increase in creditors	17 7	5 2
Decrease in provisions	1 0	(0 8)
Other non-cash changes	(0 7)	-
Net cash inflow from operating activities	18 4	11 3

b) Analysis of net debt

£ million	At 1 January 2014	Cash flow	Other non-cash changes	At 31 December 2014
Cash in hand and at bank	1 6	1 6	-	3 2
	1 6	1 6	-	3 2
Invoice finance facility	(34 4)	(8 7)	(0 4)	(43 5)
Senior bank loans	(4 3)	-	(0 1)	(4 4)
Bank term loan	-	12 5	(12 5)	-
Investor loans	(9 8)	(12 0)	(0 2)	(22 0)
Investor credit facility	-	(3 0)	-	(3 0)
Investor loan notes	-	(23 3)	(0 5)	(23 8)
Management loan notes	-	-	(13 9)	(13 9)
Finance leases	(0 1)	-	-	(0 1)
Net debt	(47 0)	(32 9)	(27 6)	(107 5)

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

24 CASH FLOW INFORMATION (CONTINUED)

c) Reconciliation of net debt

£ million	**31 December 2014**	**31 December 2013**
Increase in cash in the year	1 6	0 8
Invoice finance facility increase	(8 7)	-
Bank loan arising on acquisition	(12 5)	-
Repayment of bank loan	12 5	-
New investor loan	(12 5)	-
Investor credit facility	(3 0)	-
Investor loan notes issued	(23 3)	-
Management loan notes issued	(13 6)	
Change in net debt resulting from deferred interest and loan issue costs acquired	(1 0)	(0 6)
Movement in net debt in the year	(62 1)	(0 6)
Net debt at beginning of the year	(47 0)	(47 2)
Net debt at the end of the year	(107 5)	(47 0)

d) Acquisition of office2office Limited

Subsidiary undertakings acquired in the year contributed £26 0m to the Group's net operating cashflows, paid £13 0m in respect of net returns on investment and servicing of finance, and received £0 2m in respect of taxation

25. ACQUISITION OF SUBSIDIARIES

On 24 October 2014, the Group acquired office2office Limited

The following table sets out the book value of the identifiable assets and liabilities acquired and their provisional fair values to the group The fair values are provisional due to proximity of the acquisition date to the balance sheet date

£ million	**Book value**	**Fair value adjustment**	**Fair value to the group**
Fixed assets			
Intangible	55 1	(20 2)	34 9
Tangible	2 7	(0 1)	2 6
Current assets			
Stock	7 9	-	7 9
Debtors	33 6	-	33 6
Deferred taxation	0 5	0 5	1 0
Total assets	99 8	(19 8)	80 0
Creditors			
Trade creditors	(37 0)	-	(37 0)
Accruals	(6 9)	(1 3)	(8 2)
Other creditors	(4 3)	-	(4 3)
Taxation	(2 3)	0 6	(1 7)
Invoice finance	(21 2)	-	(21 2)
Long term loans	(12 5)	-	(12 5)
Pension liability	(1 6)	0 3	(1 3)
Provisions	(0 6)	(1 3)	(1 9)
Total liabilities	(86 4)	(1 8)	(88 1)
Net assets / (liabilities)	13 4	(21 5)	(8 1)
Positive Goodwill			(29 6)
Purchase consideration (cash £19 0m, acquisition costs £2 5m)			21 5

The book value of the assets and liabilities have been taken from the management accounts of office2office Limited at 24 October 2014 (the date of acquisition) The fair value adjustments contain some provisional amounts, as indicated below

The intangible assets fair value adjustment reflects the elimination of the office2office Group goodwill (£50 2m), and the professional independent valuation of customer relationships (£27 1m), tradenames (£2 0m), and patents (£0 9m)

A detailed review of tangible fixed assets identified £0 1m of assets no longer in use within the business

Adjustments to increase accruals reflect professional charges associated with the transaction (£0 7m), and reassessment of liabilities not fully reflected at the date of acquisition (£0 6m)

The pension liability adjustment reflects a reduction in the liability at the date of acquisition following a review performed by an independent qualified actuary

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair value of the property dilapidations provision was increased by £1 0m following a review by an independent property specialist Provision has also been made for a proportion of the costs associated with an area within the head office vacated prior to the acquisition (£0 3m)

Fair value adjustments to the deferred tax asset and the corporation tax balance simply reflect the impact of the adjustments detailed above

An amount of £3 4m has been charged to the Group profit and loss account in respect of costs incurred in reorganising, restructuring and integrating the acquisition in the period from 24 October 2014 to 31 December 2014

The following table shows the results of the acquisition for the period from the date of acquisition to 31 December 2014

£ million	**office2office Limited**
Turnover	38 7
Operating loss	(2 5)
Loss before taxation	(2 9)
Taxation	-
Loss after taxation	(2 9)

The following table shows the results of the acquisitions for the period from the beginning of its financial period to the date of acquisition

£ million	**office2office Limited**
Turnover	182 3
Operating loss	(0 5)
Loss before taxation	(2 2)
Taxation	0 2
Loss after taxation	(2 0)
Share option charges	(0 3)
Exchange adjustments	(0 1)
Total recognised losses for the period	(2 4)

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Full Year Proforma Result

£ million	**Year Ended 31 December 2014** Before exceptional items
TURNOVER	665 5
Cost of sales	(522 6)
Gross profit	142 9
Operating expenses (net)	(135 2)
Operating profit before amortisation of goodwill, depreciation and exceptionals	16 4
Depreciation of tangible fixed assets	(3 9)
Amortisation of goodwill	(4 8)
OPERATING PROFIT	7 7

The company was incorporated on 28 May 2014, under the name Newco 123 Limited, and was subsequently changed to EVO Business Supplies Limited on 29 July 2014

On 24 October 2014 the Company acquired the entire share capital of o2o Limited for a cash consideration of £19 0 million On 28 October 2014 the Company acquired the entire share capital of Vasanta Group Holdings Limited in exchange for 658,547 ordinary shares of £1 each and management loan notes of £13 6 million

The group statutory consolidated financial statements reflect the acquisition of o2o Limited, (o2o), and subsidiaries on 24 October 2014, and Vasanta Group Holdings Limited, and subsidiaries, (VGHL), on 28 October 2014 In accordance with FRS 6 "Acquisitions and Mergers", the results of VGHL and EVO have been prepared using merger accounting principles applicable for group reconstructions Under merger accounting the results and cash flows of VGHL and EVO are combined from the beginning of the financial period in which the merger occurred The o2o Group of companies are consolidated under acquisition accounting principles, with the results of the Group included from the date of acquisition

The proforma consolidated results for the group above show the results for all of the companies comprising the Group as at 31 December 2014 for the year ended 31 December 2014 as if the acquisition had taken place on 1 January 2014 This proforma information has been prepared on a consistent basis with the rest of the financial statements, except that no notes are provided

26 COMMITMENTS AND CONTINGENT LIABILITIES

a) Operatıng leases

The mınımum annual rentals under non-cancellable operatıng leases of the group are as follows

£mıllıon	2014 Land and buıldıngs	2014 Plant and equıpment	2014 Total
Operatıng leases which expıre			
- wıthın one year	0 7	0 5	1 2
- between two and five years	1 4	1 8	3 2
- after fıve years	3 7	0 2	3 9
	5 8	2 5	8 3

£mıllıon	2013 Land and buıldıngs	2013 Plant and equıpment	2013 Total
Operatıng leases which expıre			
- wıthın one year	0 1	-	0 1
- between two and five years	0 8	1 0	1 8
- after fıve years	3 3	-	3 3
	4 2	1 0	5 2

b) Contracted Capıtal Commıtments

At the end of the fınancıal year no provısıon has been made for the followıng ıtems

£mıllıon	Group 2014	Company 2014	Group 2013
Contracted	0 2	-	2 4

c) Fınance Leases

There were no commıtments at the year end to enter ınto fınance leases startıng after the year end

27 PENSIONS

The group's principal pension schemes are defined contribution plans the assets of which are held and managed independently of the company Participation in these schemes by employees is at the discretion of the individual following completion of a satisfactory length of service Contributions during the year totalled £788,000 (2013 £507,000) At the end of the year, contributions of £164,000 (2013 £41,000), representing the unpaid contributions for December 2014, were outstanding

Defined Benefit Schemes

In addition, Vow Europe Limited operates a defined benefit pension scheme, the John Heath (Holdings) Limited Pension Fund, which is funded by the payment of contributions to a separately administered trust fund The following disclosures relate to the year ended 31 December 2014

A full actuarial valuation was carried out at 1 April 2013 and has provided the starting point for the calculation of the current position under FRS 17 The roll forward to the 31 December 2014 has been performed by a qualified independent actuary

The most significant assumptions behind the FRS 17 calculations are as follows

	At 31 December 2014	At 31 December 2013
Discount Rate	3 65%	4 65%
Rate of increase in pensions in payment	2 20%	2 50%
Price inflation	3 00%	3 40%
Life expectancy for 65 year old male retiring on 31 December	86 0	86 9
Life expectancy for 45 year old male retiring 20 years after 31 December retiring at 65 years old	87 7	89 2

The fair value of assets in the scheme and the expected rate of return were as follows

£ million	Value at 31 December 2014	Expected rate of return as at 31 December 2014	Value at 31 December 2013	Expected rate of return as at 31 December 2013	Value at 31 December 2012	Expected rate of return as at 31 December 2012
Equities	10 1	3 7%	4 8	7 0%	4 0	7 2%
Bonds	10 6	5 8%	13 8	3 6%	14 1	3 0%
Other	0 3	2 1%	0 3	2 1%	0 3	2 1%
Total	21 0	4 7%	18 9	4 4%	18 4	3 9%

The expected return for each class of asset reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations The following amounts were measured in accordance with the requirements of FRS17

27 PENSIONS (CONTINUED)

£ million	2014	2013
Total market value of assets	21 0	18 9
Present value of scheme liabilities	(16 3)	(16 1)
Surplus in scheme	4 7	2 8
FRS 17 restriction of pension scheme surplus	(4 7)	(2 8)
Net pension asset	-	-

Analysis of net finance charge

£ million	2014	2013
Expected return on pension scheme assets	0 8	0 7
Interest on pension scheme liabilities	(0 7)	(0 8)
Net finance credit / (charge)	0 1	(0 1)

Analysis of the movement in scheme surplus during the year

£ million	2014	2013
Scheme surplus brought forward	-	-
Other finance credit / (charge)	0 1	(0 1)
Actuarial gain / (loss)	1 8	2 3
FRS 17 pension asset restriction	(1 9)	(2 2)
Surplus in scheme	-	-

The surplus arising is not recognised due to future non-recovery of the asset, in accordance with FRS 17

27. PENSIONS (CONTINUED)

Analysis of movement in scheme assets

£ million	2014	2013
Scheme assets brought forward	18 9	18 4
Benefits paid	(0 7)	(0 7)
Expected return on assets	0 8	0 7
Actuarial (loss) / gain	2 0	0 5
Assets in scheme at end of the year	21 0	18 9

Analysis of movement in present value of scheme liabilities

£ million	2014	2013
Scheme liabilities brought forward	16 1	17 8
Interest cost	0 7	0 8
Benefits paid	(0 7)	(0 7)
Actuarial loss / (gain) on liabilities	0 2	(1 8)
Present value of scheme liabilities at end of the year	16 3	16 1

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

Amounts included within operating profit

The scheme is a closed scheme and, therefore, under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement There were no current or past service costs in the current or prior year

27 PENSIONS (CONTINUED)

Amounts included within the statement of total recognised gains and losses

Analysis of the amount that has been recognised in the statement of total recognised gains and losses ("STRGL")

£ million	**2014**	**2013**
Actual return less expected return on scheme assets	2 1	0 5
Experience gains / (losses)	(0 1)	1 9
Changes in assumption underlying in the value of the liabilities	(0 2)	(0 1)
Actuarial gains / (losses) recognised in STRGL	1 8	2 3

The cumulative amount of actuarial gains and losses recognised in the STRGL since adoption of FRS 17 in 2009 is £3 8m gain (2013 £2 0m gain)

History of experience of gains and losses

£ million	**2014**		**2013**		**2012**	
Difference between actual and expected return on scheme assets		2 1		0 5		(0 1)
Percentage of closing fund assets	*9 8%*		*2 8%*		*(0 2%)*	
Experience gains and losses arising on scheme liabilities		(0 1)		1 9		(0 5)
Percentage of closing scheme liabilities	*(0 3%)*		*11 8%*		*(3 1%)*	
Effect of changes in assumptions underlying the present value of scheme liabilities		(0 2)		(0 1)		(0 7)
Percentage of closing scheme liabilities	*(1 2%)*		*(0 6%)*		*(3 9%)*	
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses		1 8		2 3		(1 3)
Percentage of closing scheme liabilities	*11 1%*		*14 3%*		*(7 2%)*	

27 PENSIONS (CONTINUED)

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

The BBS scheme commenced on 1 August 2000, when the funds were transferred in by The Stationery Office Pension Scheme (TSOPS) The scheme is funded by the payment of contributions to a separately administered trust fund The scheme was closed to future accrual on 31 December 2011

The latest full actuarial valuation was carried out at 31 July 2013 and has provided the starting point for the calculation of the current position under FRS 17 The roll forward to the 31 December 2014 has been performed by a qualified independent actuary

The most significant assumptions behind the FRS 17 calculations are as follows

	At 31 December 2014	At 31 December 2013
Discount Rate	3 70%	4 50%
Rate of increase in pensions in payment		
- Transferred from TSOPS	2 30%	2 80%
- Earned in scheme	3 05%	3 50%
Price inflation	3 20%	3 50%
Life expectancy for 65 year old male retiring on 31 December	87 3	87 3
Life expectancy for 45 year old male retiring 20 years after 31 December retiring at 65 years old	88 6	88 7

The fair value of assets in the scheme and the expected rate of return were as follows

£ million	Value at 31 December 2014	Expected rate of return as at 31 December 2014	Value at 31 December 2013	Expected rate of return as at 31 December 2013
Equities	8 0	5 4%	10 8	6 6%
Bonds	7 1	7 1%	3 0	3 7%
Other	1 0	1 5%	0 9	1 2%
Total	16 1	3 9%	14 7	5 7%

The expected return for each class of asset reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations The following amounts were measured in accordance with the requirements of FRS17

EVO BUSINESS SUPPLIES LIMITED (FORMERLY NEWCO 123 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

27 PENSIONS (CONTINUED)

£ million	**2014**
Total market value of assets	16 1
Present value of scheme liabilities	(17 5)
Deficit in the scheme	(1 4)
Related deferred tax asset	0 3
Net pension liability	(1 1)

Analysis of net finance charge in the period

£ million	**2014**
Expected return on pension scheme assets	0 1
Interest on pension scheme liabilities	(0 1)
Net finance credit / (charge)	-

Analysis of the movement in scheme surplus during the period

£ million	**2014**
Scheme deficit on acquisition	1 3
Other finance charge / (credit)	-
Actuarial loss	0 1
Deficit in scheme	1 4

27. PENSIONS (CONTINUED)

Analysis of movement in scheme assets

£ million	**2014**
Scheme assets on acquisition	15 6
Benefits paid	-
Expected return on assets	0 1
Actuarial gain	0 4
Assets in scheme at end of the year	16 1

Analysis of movement in present value of scheme liabilities

£ million	**2014**
Scheme liabilities on acquisition	16 9
Interest cost	0 1
Actuarial loss on liabilities	0 5
Present value of scheme liabilities at end of the year	17 5

Amounts included within operating profit

The scheme is a closed scheme and, therefore, under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement There were no current or past service costs in the current or prior year

Amounts included within the statement of total recognised gains and losses

Analysis of the amount that has been recognised in the statement of total recognised gains and losses ("STRGL")

£ million	**2014**
Actual return less expected return on scheme assets	0 4
Experience losses	(0 5)
Actuarial losses recognised in STRGL	(0 1)

28 ULTIMATE CONTROLLING PARTY

At the balance sheet date, the ultimate controlling party of the group was Endless Fund II A Limited Partnership, Endless Fund II B Limited Partnership, Endless Fund III A Limited Partnership, Endless Fund III B Limited Partnership and Endless Fund III C Limited Partnership who own 89% of the group