Whistl Group Holdings Limited

Annual Report 2019

whistl

Mail

Parcels

Fulfilment

International

Contact Centre

Doordrop Media

Whistl Group Holdings Limited
Annual report and consolidated financial statements for the year ended 31 December 2019
Registered number: 9779561 (England and Wales)

Strategic report

Financials

Directors and advisors

for the year ended 31 December 2019

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Highlights

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Turnover	**684,987**	616,349
EBITDA[2]	**7,843**	10,999
Net cash from operating activities[1]	**21,665**	23,747
Exceptional costs	**6,752**	1,509
Capital expenditure	**3,720**	7,166
Net assets	**9,009**	20,699
Cash at bank and in hand	**42,540**	40,698

[1] Excludes exceptional items.
[2] Underlying EBITDA represents operating profit before interest, tax and exceptional items adjusted for the depreciation and amortisation charge for the year.

Highlights

for the year ended 31 December 2019

Group revenues increased by £68.6m (+11.1%) to £685.0m.

£685.0m

Substantial revenue growth in parcels and international of £24.9m (+21.8%) to £138.8m across our portfolio of tracked and untracked services together with the full year impact of the Parcelhub acquisition.

£138.8m

Fulfilment revenue growth of £21.1m (+119.6%) to £38.8m following rapid organic growth of existing customers together with the full year impact of acquisition of Spark Ecommerce Group Ltd.

£38.9m

EBITDA[2] of £7.8m despite challenging conditions in the mail market offset by profitable growth across parcels, international and fulfilment solutions.

£7.8m

[2] Underlying EBITDA represents operating profit before interest, tax and exceptional items adjusted for the depreciation and amortisation charge for the year.

A year of substantial cash investment to secure the long term efficiency and growth capacity of our operational network, with the deployment of our second super hub and automation of parcels sortation at Bedford.

Strong operating cash flow of £21.7m funding £6.8m of exceptional costs, £3.7m capital expenditure and £9.1m of dividend payments and purchase of shares from a minority investor, without recourse to any working capital bank facilities and still yielding a £1.8m increase in cash for the year.

A reduction of net assets of £11.7m includes the impact of planned shareholder payments and exceptional costs, to secure the long term future of the business, which are now complete.

Continued transformation of the business with a diversified and resilient income stream, including the high growth e-commerce sectors of parcels, international and fulfilment together with a leading market position in mail.

Strong continued liquidity with £42.5m of year-end cash reserves and access to a £75m fully committed banking facility, to ensure continuity of trading, should there be a prolonged recovery period from the Covid-19 pandemic, which was declared after the balance sheet date.

As part of our ongoing management of Covid-19, the Group has had discussions with its bankers, who continue to be supportive and we have substantial banking facility headroom, to meet future requirements.

CEO Business Review

INTRODUCTION

Whistl has become the delivery management partner of choice for online retailers and brands providing integrated mail and parcel delivery, fulfilment, contact centre and advertising solutions both in the UK and internationally. We also continue to develop new partnerships in the utilities, direct marketing, financial and public sectors for our core mail business. We have built a financially robust company that has invested in our core Downstream Access (DSA) business and in the growth areas of parcels and fulfilment giving us the scalable capacity to meet the ever-expanding delivery needs of online customers and our existing customer base.

2019 has seen the economic and political instability regarding Brexit affect customers' plans to invest in marketing campaigns which has reduced mail and doordrop media volumes. Whistl has continued to outperform these market trends overall and our diversification strategy into parcels, international, fulfilment and contact centres is making a positive contribution to the overall business performance.

Early in 2019 we opened our second Super Hub in Bedford and now operate from 15 sites across the UK, handling 3.5bn mail and parcel items and over 1bn doordrop media items.

Nick Wells
Chief Executive Officer

In 2019 we:

- *Grew client base through securing several new clients*
- *Opened our second Super Hub in Bedford for mail and parcels*
- *Deployed our second 100-metre cross-belt, automated parcel-sorting machine at Bedford*
- *Integrated Spark Ecommerce Group successfully within the Group*
- *Launched our own Carrier Management system*
- *Had over 200 SMEs sign up to Leafletdrop*
- *Made significant progress with our international inbound and outbound service*
- *Opened Whistl International Gateway near Heathrow Airport to strengthen our capability to deliver international services into and out of the UK*
- *Launched our Management Capability Framework to upskill managers at all levels within the business to meet the needs of both customers and colleagues*

Whistl is a company built upon a team ethos and all our employees are the key to driving the business performance of our clients through delivering high-quality, cost-efficient services with industry leading customer service levels.

OUR MARKETS

Downstream Access Mail

Whistl continues to be the leading Downstream Access provider for UK for bulk mail collection and sortation. In the Spring of 2019, we consolidated our Rugby and Iver depots into our second Super Hub in Bedford enabling us to create further operational efficiency and an improved working environment at this new facility.

The total addressed mail volume declined by 8% in the year to 10.2bn items according to the latest postal market report from Ofcom*. Access volumes as a proportion of the total mail market increased 2% over the past year to 65% of all letter volumes (c.6.6bn). Whilst our Access volumes reduced by 3.6% to c.3.5bn items the Royal Mail End to End volumes reduced by a much larger 13% explaining the increase in the proportion of Access volumes. After five years of relative stability in DSA volumes, this is the first year of notable decline at c.6%. This can largely be explained by the impact of GDPR on direct mail volumes.

Since 2016/17 overall mail volumes have declined 12.9%, the DSA volumes have declined 6.0% and Whistl volume decline has only been 1.9% showing Whistl has been able to outperform both the sector and the market overall.

Royal Mail continue to increase DSA prices to compensate in part for their volume reductions and lack of progress in meeting cost-saving targets and efficiency improvements in their own network. We have no choice but to pass these increases onto our posting customers. We continue to express our concerns to Ofcom about the impact of price increases on mail volumes and continue to advocate for efficiency targets to be imposed on Royal Mail. With Royal Mail's financial position set to worsen in the short term, customers can expect to see further price increases and we continue to urge Ofcom to consult business customers more widely on the impact of these increases and, if necessary to impose regulatory controls in the form of a price cap to limit these increases.

The upstream element of the postal chain continues to be fiercely competitive, so we continue to look for, and invest in, operational efficiencies to enable us to offer value-for-money quality services.

Whistl continues to outperform competitors, despite challenges from e-substitution of bills and statements and from the introduction in May last year of GDPR which Royal Mail claimed had the biggest impact on its letter performance in 2019. Advertising mail accounts for a significant component of bulk mail and represents 27% of Royal Mail's UKPIL letters volume, according to its accounts.

The JicMAIL initiative started in 2018 is now delivering insightful data on consumer actions on receipt of mailing pieces and the next stage is to make further progress with quantifying the circulation data, or opportunity to see, to further increase the utility of this service to media buyers.

2019 saw the trials of a new GDPR compliant mail offering Partially Address Mail which has been trialled successfully by many Whistl customers and has now become a standard Royal Mail product. With its history and pedigree in geodemographic targeting, Whistl is uniquely placed to expand this product and optimise client budgets across personalised and impersonalised campaigns.

Doordrop Media

Doordrop Media (DDM) is the market leader in both audience targeting and delivery management of leaflet services and, once again had a solid performance in 2019. Over the past six years our DDM volumes have risen 56% and we have outperformed the market in four of the past five years.

Over 200 SMEs have signed up to Leafletdrop, our on-line leaflet advertising tool and, so far, over 20 million leaflets have been processed since the launch in 2018.

The economic and political instability arising from the delayed Brexit withdrawal process has impacted the marketing strategies and spend of clients, leading advertisers to either delay or cancel campaigns which has led to a decline in DDM volumes. GDPR has also impacted the sector but, with the Partially Addressed Mail and JicMAIL initiatives, we expect advertisers to embrace this low-cost and effective advertising route.

* Ofcom Annual monitoring update on the postal market financial year 2018-19

Parcels
With the opening of our Super Hub in Bedford, we have further increased our capability to handle both sorted and unsorted packets and parcels, through our second 100-metre cross-belt loop-sorter.

Whistl's parcel volume growth was 4.4% and is increasingly profitable as we provide more tracked services. Volume growth is being driven by e-commerce, which the ONS said in 2018 now accounts for 18% of all retail sales in the UK.

Parcelhub has enabled us to provide SMEs with a one-stop shop multi carrier solution to meet all of their parcel management requirements through our Carrier Management System moving us up the customer value chain as we become further integrated into their operational success.

Following the withdrawal of UK Mail from the Downstream Access Packet and Parcels sector we secured over 20 new, large-volume market-based sellers. With customers operating in a variety of sectors from homecare, stationery, beauty and books. These customers which predominantly use Amazon, Ebay and Facebook to sell their products are utilising Whistl's new in-house developed parcel CMS.

International
2019 has been a successful year for our international inbound and outbound mail and parcel services as we have engaged in strategic partnerships to enable us to provide seamless, one label, shipping solutions to customers both in the UK and internationally. Over the past three years, we have experienced a 16% growth in our international volumes.

There was a 15% increase, according to Ofcom*, of international inbound parcel volumes to 309m in 2018-2019, an increase of 15% on the previous year and representing 12% of total parcel revenues. The international outbound parcel volume increased year on year to 10% to 193m items and represented 7% of total volumes.

* Ofcom Annual monitoring update on the postal market financial year 2018-19

Fulfilment
In late 2018 we acquired Gateshead based Spark Response, recognised for its award winning inbound and outbound customer services proposition, alongside its comprehensive order fulfilment operation.

One area of success for this business has been its contact centre operation which has performed exceptionally well and continues to delight its customers. This success has enabled us to expand into other locations of business where we have capacity to accommodate contact centre employees. Currently, we have 350 seats operating seven days a week handling in and out-bound calls, emails, social media posts and live online chats.

Whistl Fulfilment which incorporates Prism DM (acquired in 2017) and Spark (Spark rebranded to Whistl Fulfilment in May 2019) now has a consolidated single management structure which allows us to offer scalable fulfilment services at different locations across the UK.

Our customers
In 2019 we once again renewed relationships with long-standing customers Tesco, SAGA and Shark Ninja. Whistl works collaboratively with its customers and this was endorsed by Nick Fournier, VP Operations – Shark Ninja who said 'Whistl is a great partner for our ecom operation'.

Our customer base continues to evolve as Whistl develops into other business areas and markets with an increasing presence with online retailers. Swoon and Bissell were two new customers gained through our contact centre offering.

Our 2019 Customer Survey included all areas of the Group, mail, parcels, international, doordrop media and contact centres and resulted in an NPS score of 28 and a customer satisfaction score of 82%. Account management and customer service remain areas where we continue to excel and differentiate.

Our people
We are committed to providing excellent service to our customers, not only by investing in our operational capability but also in our employees. We now have 1,978 employees in 15 sites across the UK and on the road with a truck and lorry fleet. This year we launched our Management Capability Framework to upskill managers at all levels within the business to meet the needs of both clients and colleagues.

We are continuing to invest in talent in all parts of the business with our LEAP development programme and apprenticeships.

Regulation
Whistl operates in a regulated environment with Ofcom as the Postal Sector regulator. The regulations remain in place until 2022 when a review is due. Whistl expect to be fully involved in the provision of information and views to Ofcom for this review.

Whistl and other DSA operators enjoy regulatory protection from potential abusive behaviour from Royal Mail. In 2019, the Competition Appeal Tribunal upheld the Ofcom ruling that Royal Mail had abused its dominant position in connection with Whistl's end-to-end business, and confirmed the allocation of the £50m fine. Royal Mail have been given permission to appeal the decision on limited grounds to the Court of Appeal. Royal Mail's actions had a hugely negative impact on investment in and the competitive health of the UK postal sector as demonstrated by the decline in competitive end to end volumes, falling from 170m items in 2014/15 to just 6m in 2018/19. Whistl remains disappointed that Royal Mail is not taking responsibility for its actions by appealing this latest ruling confirming its anti-competitive behaviour. We continue to monitor the situation.

Whistl continues to lobby Ofcom on where it would like to see further regulatory input and has recently submitted a response to Ofcom's plan of work consultation. Whistl also continues to work with Royal Mail Wholesale and is in the process of discussing possible changes to the Access Letters Contract with the industry and new product initiatives.

Whistl ensures that it has frequent dialogue and engagement with Ofcom, Royal Mail, and the Mail Competition Forum and has quarterly engagement with BEIS and Wholesale Access Group to ensure that its own views on regulatory and market developments are heard and help shape the market.

Outlook
2019 was a year when our three-year transformation plan to diversify the company from a core DSA bulk mail operator into one that is the delivery management partner of choice for online retailers is delivering real growth in volume, turnover and margin.

We now have proven and growing success in providing integrated mail and parcel delivery, fulfilment, contact centre and advertising solutions both in the UK and internationally.

We are financially strong with a robust and scalable operation that can meet the ongoing growth in online purchases.

Underpinning our success is the partnership approach we have with customers, working with them to ensure that we can do everything possible to facilitate the transit of items from post room or stockroom to the doorstep.

This partnership approach has been reflected during the Covid-19 pandemic where we have worked intensively with our customers, suppliers, carrier partners, Royal Mail and our union Community to ensure that we continue to provide the best level of service we can during this unprecedented situation.

Our effective contingency planning, underpinned by the flexibility and hard work of every employee, has enabled us to continue operating throughout the lockdown. I want to express my deep gratitude to our employees who are key workers and have ensured that customers' items reach their consumers.

We continue to have an excellent leadership team at all levels across the Group and all our colleagues have proven again in recent months that they are committed to providing best in class service for our customers.

Nick Wells
CEO

29 September 2020

CFO Financial Review

We have completed the transformation of Whistl and now have capability to provide integrated mail and parcels delivery, fulfilment, contact centre and advertising solutions across our diverse customer base. It was a further year of substantial investment that secured the long term future of our operational network, with the deployment of our second Super Hub and 100-metre cross-belt parcels sortation machine in Bedford. As planned, our recent acquisitions have diversified the Group's income stream and provided a catalyst for growth, in the rapidly expanding markets of e-commerce services. All investments, as in previous years, have been funded by strong operating cash flows and the Group continues to retain a strong balance sheet, with high levels of liquidity and access to further funding, including investors if required, to meet the more recent challenges of the Covid-19 pandemic, should there be a prolonged economic recovery period.

Manoj Parmar
Chief Financial Officer

Investment in fixed assets
Whistl has continued to invest significantly in fixed assets to develop our product range, maintain operational quality and drive efficiency. £5.0m of tangible assets and software were brought into use, including transfers from construction in progress and £3.7m of additions were made.

In Q1 we opened our new Super Hub in Bedford, complete with automated parcel sortation technology, and transitioned operations from our legacy Iver and Rugby sites. The purpose-built Bedford site demonstrates our commitment to the long term future of the Downstream Access business and adds capacity for the rapidly growing parcels and international businesses.

In May we opened Whistl International Gateway near Heathrow Airport to strengthen our capability and international offering to deliver international services into and out of the UK.

IT systems and software are a central component of our business. In 2019 we capitalised over £1.9m of software and IT equipment, including: our own Carrier Management System for parcels; enhancements to our sortation technology; business and customer information systems; and back office financial and revenue assurance systems.

We also invested in our growing e-commerce fulfilment and contact centre businesses to add capacity and capability to our multi-client sites in Gateshead, Rushden and Farnborough to support the like-for-like revenue growth of over 20%.

Revenue

Segment	2019 £m	2018 £m	Change £m	% Var
Downstream Access Mail	**457.3**	432.0	25.3	5.8%
Parcels & International	**138.8**	113.9	24.9	21.8%
Fulfilment	**38.8**	17.7	21.1	119.6%
Doordrop Media	**50.1**	52.7	(2.6)	(4.9)%
Group	**685.0**	616.3	68.7	11.1%

Underlying EBITDA[2]

	2019 £m	2018 £m	Change £m	% Var
Group	**7.8**	11.0	(3.2)	(29.1)%

Reconciliation of Underlying EBITDA[2]

	2019 £m	2018 £m	Change £m	% Var
Operating profit before exceptional items	**2.7**	9.0	(6.3)	(70.0)%
Goodwill amortisation	**1.4**	(1.3)	2.7	207.7%
Amortisation of intangible assets	**1.2**	1.5	(0.3)	20%
Depreciation of tangible assets	**2.5**	1.8	0.7	(38.9)%
Group	**7.8**	11.0	(3.2)	(29.1)%

Capex

	2019 £m	2018 £m	Change £m	% Var
Growth	**2.6**	5.6	(3.0)	(53.6)%
Maintenance	**1.1**	1.6	(0.5)	(31.3)%
Group	**3.7**	7.2	(3.5)	(48.6)%

Financial Position & Liquidity
We maintain a strong balance sheet, liquidity and credit rating in order to give the Group financial flexibility to invest and grow. At the year end the Group had net cash of £42.5m.

The Group is party to a fully committed £75m facility provided by HSBC which is divided into a credit and working capital facility and a supplier guarantee facility. The working capital element remained unutilised during the year.

Cash flows from operating activities before exceptional costs of £21.7m together with our balance sheet position enabled the Group to pay £9.1m to shareholders during the year of which £3.5m was in the form of dividends and £5.6m in the form of share buybacks. These payments contributed to a reduced net asset position for the Group of £9.0m (2018: £20.7m).

Performance
Group revenue increased by 11% to £685m in 2019 from across Whistl's portfolio of services.

Downstream Access, Parcels and International
Parcels and international revenue has continued to grow, driven by our investments in carrier management and product development as well as underlying market growth. Revenue increased by 21.8% to £139m with particularly strong growth in demand for tracked services and the full year impact of the Parcelhub acquisition.

Core Downstream Access Mail revenue increased by 5.8% to £457m due to a significant new customer win, as well as passing on of Royal Mail price increases to customers and a changing mix of Agency and Customer Direct Access (CDA) volume. These revenue increases were offset by a 3.6% volume decline in the year due mainly to Brexit uncertainty and GDPR on direct mail volumes together with competitor impact.

[2] Underlying EBITDA represents operating profit before interest, tax and exceptional items adjusted for the depreciation and amortisation charge for the year.

Fulfilment
Like-for-like fulfilment revenue, after adjusting for the impact of acquisitions in 2018, increased by 21% to £38.8m following investment in capacity, new customer wins and organic growth from the customer base. We continue to develop our fulfilment and contact centre capabilities to offer customers a high-quality, seamless experience from first click to final delivery.

Doordrop Media
Doordrop Media competes in a crowded advertising market and spend is influenced by political and economic sentiment but continues to demonstrate strong return on marketing investment, so remains attractive for brands. Whistl's innovative SME product, Leafletdrop, has recorded exceptional growth by giving SMEs the targeting insights traditionally reserved for larger customers. Overall revenue of £50.1m in 2019 reduced by 4.9% compared to 2018.

Administrative Expenses
Administrative expenses have increased by 27.9% to £35.30m (2018: £27.6m) in 2019, driven by the full year effect of acquisitions made during 2018 and the amortisation of goodwill. Negative goodwill which credited administrative expenses was fully amortised by the end of 2018 while 2019 includes a full year of amortisation of positive goodwill in relation to the Parcelhub and Spark Ecommerce Group acquisitions.

Underlying EBITDA[2]
Underlying EBITDA of £7.8m (2018: £11.0m) was mainly impacted by start-up inefficiencies of the new Bedford Super Hub as well as continued strong competition in DSA which have put pressure on margins. Successive increases in the National Living Wage have also added inflation to the cost base, which has been only partially offset by efficiency improvements.

In response to the competitive pressure, our long term focus remains on retaining a high quality service, maintaining an efficient well invested network centred on the Bolton and Bedford Super Hubs, and developing our services to meet our customers' changing needs.

In countercycle to DSA pressure, the Group's diversification strategy has delivered strong growth in profitability within the fulfilment, international and tracked parcel businesses.

Exceptional costs
In 2019 Whistl incurred exceptional costs of £6.8m of which £5.1m related to double running costs and start-up losses in relation to the new Bedford Super Hub and the closure of the Rugby and Iver sites. Exceptional items also include £0.4m in relation to financing of the group, £0.6m of advisory costs and other restructuring costs of £0.7m.

Taxation
The effective rate of corporation tax was 8.7% (2018: 8.9%) which was lower than the standard UK corporation tax rate of 19.0% (2018: 19.0%). This reflects the impact of long-term capital investment programmes, permanent and temporary timing differences.

The Group generates revenue, profit and employment, all of which deliver substantial tax revenues for the UK government in the form of VAT, Income Tax and Corporation Tax. The Group's tax policy, which has been approved by the Board, aligns with this strategy and ensures that the Group fulfils its obligations as a responsible UK taxpayer.

Dividend
A dividend of £2.0m (0.0799p per share) was declared by the board on 24 September 2019 and paid on 26 September 2019. On 18 December 2018 the board declared a dividend of £1.5m (30.57p per share) which was paid on 22 January 2019.

Balance Sheet

	2019 £m	2018 £m	Change £m	% Var
Goodwill & Negative goodwill	**12.5**	14.3	(1.8)	(12.6)%
Fixed assets	**13.9**	13.9	-	-
Stocks	**0.5**	0.4	0.1	25.0%
Debtors	**80.8**	77.5	3.3	4.3%
Cash at bank and in hand	**42.5**	40.7	1.8	4.4%
Creditors: amounts falling due within one year	**(140.5)**	(123.4)	(17.1)	13.9%
Creditors: amounts falling due after one year	**(0.7)**	(2.7)	2.0	(74.1)%
Net assets	**9.0**	20.7	(11.7)	(56.6)%

Net assets decreased by £11.7m to £9.0m (2018: 20.7m) including the impact of shareholder payments and exceptional costs.

Goodwill decreased by £1.8m to £12.5m (2018: £14.3m) representing a full year amortisation charge in 2019 following the acquisitions of Parcelhub and Spark Group during 2018.

The net book value of tangible fixed assets and software was unchanged as additions were offset by depreciation.

Debtors increased by £3.3m (4.3%) to £80.8m (2018: £77.5m) despite 11% revenue growth due to strong credit control management.

Creditors payable in less than one year increased by £17.1m (13.9%) to £140.5m (2018: £123.4m) due to increased trade payables, deferred income and accruals as a result of increased trading activity and timing of working capital cycles.

Creditor's payable after one year decreased by £2.0m to £0.7m (2018: £2.7m) due to payments of contingent and deferred consideration following the acquisitions of Parcelhub and Spark Group in 2018.

[2] Underlying EBITDA represents operating profit before interest, tax and exceptional items adjusted for the depreciation and amortisation charge for the year.

Cashflow

	2019 £m	2018 £m	Change £m	% Var
Cash from operating activities before exceptional items	**21.7**	23.7	(2.0)	(8.4)%
Exceptional items	**(6.8)**	(1.5)	(5.3)	353%
Net cash from operating activities	**14.9**	22.2	(7.3)	(32.9)%
Taxation received/(paid)	**-**	(0.3)	0.3	100%
Net investment in fixed assets	**(3.7)**	(7.2)	3.5	48.6%
Purchase of business/subsidiary undertakings	**(0.2)**	(10.4)	10.2	98%
Net cash outflow from financing activities	**(5.7)**	(0.7)	(5.0)	(714.3)%
Dividends paid	**(3.5)**	-	(3.5)	(100)%
Net increase in cash	**1.8**	3.6	(1.8)	(50)%

Net cash
Underlying cash from operating activities before exceptional items was £21.7m (2018: £23.7m) from profitable trading and working capital management. Reported net cash from operating activities of £14.9m was impacted in comparison to 2018 mainly by the exceptional moving costs in relation to Whistl's new Super Hub in Bedford which contributed to exceptional cash outflows of £6.8m in 2019.

Investments in fixed assets of £3.7m relate to additions including the new Bedford Super Hub and automated parcel sortation technology as well as continued investment our services and the efficiency of our network.

On 20 June 2019, 255,899 A Ordinary Shares with an aggregate nominal value of 25.59p were purchased by the company, and subsequently cancelled. The shares were acquired for a consideration of £5.6m at an average price of £22.026 per share. These shares were acquired in order to buy back the shares of a minority shareholder.

Credit and working capital management
The Board of Management closely monitors credit and liquidity risks and is continually looking for improvements to working capital management. Days of trading in accounts receivable and accrued income, a key measure of debtor performance in Downstream Access and Parcels, reduced from 35.9 days to 32.1 days from 2018 to 2019.

Key performance indicators
The Directors are reliant on specific key performance indicators such as, statistics related to market share, sales growth and profitability to provide important guidance as to likely activity and performance within the business. The key performance indicators are described within this Strategic report.

Impact of Covid-19 and Going concern
Since 31 December 2019, consequences of the Covid-19 pandemic have become evident. The Group's activities have been classified as key essential services by the British Government and consequently it can continue to trade in all its sectors. The Group is currently benefiting from double digit percentage growth in the parcels market and in its fulfilment businesses. The core mail business initially experienced a reduction in volumes as a result of the pandemic however more recent trading has indicated a gradual recovery in volumes occurring as government restrictions start to be relaxed. We expect mail volumes in 2020 to be lower than in the previous year with a substantial recovery anticipated by the second half of 2021. The reduced activity in the advertising and marketing sector has caused a reduction in demand for advertising mail (Admail).

The Group has taken rapid and significant steps to reduce costs to mitigate the financial impact of lower mail volumes, which include reducing cost to serve in the network. The Group has also been able to access government support via the Employee Furlough Scheme and deferred HMRC payments, in accordance with the Government Covid-19 corporate relief package, while it has taken time to adapt to the current situation.

The Group has assessed the situation and is confident that the actions taken will ensure that it will benefit from the economic recovery following the end of government restrictions. The Group has secured practical and financial support from all major Stakeholders (bankers, customers, suppliers, government, employees and our union) to ensure the Group will continue to trade through the current disruption of the mail market.

To address any potential prolonged effects of the pandemic the Group has had discussions with its Bankers, who continue to be supportive and we have substantial banking facility headroom, to meet future requirements.

The Group is expected to remain in a strong position, for the following reasons:

- *As at 31 July 2020 the Group had available cash resources of £50.9m, significantly higher than the level needed to cover short term cash outflows.*
- *In addition to the available cash resources of £50.9m the Group can draw on the working capital element of the committed facility provided by HSBC*
- *The Group has accelerated cost saving plans and will take further mitigating actions to reduce the impact of Covid-19 on earnings and cash. During the second quarter of 2020, despite the lockdown with very little time to prepare, the Group has reported an EBITDA profit.*

The Group has undertaken financial stress testing that considered a range of potential impacts of the pandemic on its financial resilience. These confirm that the Group will continue to maintain liquidity despite modelling extreme adverse conditions. After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The Directors are of the view that Covid-19 does not directly impact the Company's ability to continue as a going concern. The Company does not carry out any trading activities and is in a net asset position as at 31 December 2019. As such the Company continues to adopt the going concern basis in preparing its financial statements.

Manoj Parmar
CFO

29 September 2020

Risk Management

Principal risks and uncertainties
The Group has determined its key principal risks as those risks that the Group considers material and which could have a significant impact on the Group's financial position, its operations and/or reputation.

Risk management
The Group's principal risk management processes comprise risk registers and reviews, control risk self-assessment and Risk Management Committee. The Group faces a diverse range of risks and uncertainties which could have an adverse effect on its success if not managed. The Group has designed and embedded a risk management process to identify and monitor potential risks and uncertainties relevant to the Group and then seeks to eliminate or reduce these to the lowest extent possible to protect the business, its people and customers, and support delivery of its strategy.

The risk management process is intended to mitigate and reduce risk to the lowest extent possible but cannot eliminate all risks to the Group and its businesses. The Group's risk management process and controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management process incorporates both top-down and bottom-up elements to the identification, evaluation and management of risks. Mitigating controls are identified and opportunities for the enhancement are implemented.

Risk Governance
The Board of Management is ultimately responsible for the Group's system of risk management and internal controls and reviews their effectiveness on a regular basis throughout the year.

Risk overview
The Board of Management recognises that the risks faced by the Group change and it regularly assesses risks to manage and mitigate any impact.

Summarised below are the key risks, not in order of significance that the Board of Management has identified as the primary risks to the Group's successful financial performance, reputation or operations in the year ended 31 December 2019 and future years.

Covid-19
The impact of Covid-19 continues to evolve across the global economy and is difficult to estimate the precise long term financial impact of the pandemic, and how the cost of unprecedented level of government support will be met by the UK government.

The Directors have performed scenario planning to consider the potential impact of Covid-19 on the business. The Group has seen a reduction in advertising mail volumes during the post balance sheet period of lock down in the UK, which have been partially offset by growth in volumes within the e-commerce parcels and fulfilment businesses. The business has continued to report positive EBITDA in this period despite the disruption to staff, suppliers and customers.

Whistl has rapidly developed its operational resilience plans to ensure continuity of service to our customers and the safety of our colleagues, and to enable the business to continue to deliver against its objectives.

Brexit
Following its departure from the EU, the UK has entered a transition period lasting until 31 December 2020, during which it will comply with EU rules and laws. The relationship that the EU and UK will have following the end of the transition period remains subject to negotiation. The board of Directors continue to monitor the company's operations as a result of the UK's departure on 31 January 2020. It is not expected that Brexit will have either a significant impact on operations or financial performance.

Financial risk management
The Group has established processes to identify, monitor, mitigate and where feasible, eliminate these risks.

Capital management
Management consider capital to consist of equity plus net debt as disclosed in the balance sheet. The primary objective of the Group's capital management is to ensure healthy capital ratios in order to support its business and maximise shareholder value. The Group's financial instruments comprise of cash and liquid resources and various other items, such as receivables and trade payables that arise directly from its operations. The Group's policy is to finance its operations through operating cash flows and have access to a fully committed £75m facility from HSBC.

Market risk
The Group's activities are principally provided to UK businesses and as a result the fortunes of the business are linked to the general health of the UK economy. The company's exposure is limited by having a broad customer base and a diversified portfolio of services, however the business remains exposed to fluctuations in marketing budgets, e-substitution, recession and continued market evolution.

Regulatory risk
The Group operates in a regulated market which affords a level of protection against any anti-competitive behaviour, mandates access to Royal Mail's network and controls elements of Royal Mail's pricing. The regulator, Ofcom, has concluded that these protections should extend until 2022. The process to set the regulatory agenda post 2022 has started already and Whistl is fully engaged in the process and will continue to submit its views to Ofcom formally through consultation responses and informally though bilateral meetings. Management considers this risk to be manageable.

Price risk
Pricing of Royal Mail services is determined by Royal Mail but is monitored by the Regulator, Ofcom.

Credit risk
The Group has significant credit risk particularly given that a substantial amount of turnover is the pass through to customers of Royal Mail costs. The payment of such costs is required on strict terms. There are, however, strong credit controls in place and in addition, the Group utilises credit insurance.

Treasury management
In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, all risk exposures including funding, foreign currency, interest rate exposures and cash management are regularly monitored by the Board of Management. The prime focus being performance and strategic issues as well as the mitigation and management of these risks to an acceptable level. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations, the Group has substantial, fully committed unused credit facilities available.

Price Competition
The Group operates in a highly competitive environment. The Group is focusing on excellent account management and consistent quality of service with initiatives designed to improve competencies surrounding customer services, operational improvement, sales support and training.

Business continuity
The Group has detailed business continuity plans in place for all sites to ensure an immediate and appropriate response to a business continuity issue or disaster scenario.

Whistleblowing
The Group has in place a Whistleblowing Policy, which all employees and other defined individuals are required to adhere to and is open to suppliers and customers to use if they wish to report any concerns. The Whistleblowing Policy sets out the ethical standards expected of all persons the policy legally applies to and includes the procedure for raising concerns in strict confidence. Employees are encouraged to raise their genuine concerns regarding any malpractice within the Group without fear of harassment or victimisation. Any instances of employee disclosures concerning malpractice are reported to the Executive Board. There were no instances of malpractice reported to the committee during the year.

Anti-bribery and corruption
The Group operates an anti-bribery and corruption policy which was put in place in response to UK Bribery Act 2010. This policy sets out the responsibilities of employees of the Group in observing and maintaining the Group's position on bribery and corruption, which is that the Group will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. All employees are required to undertake a Bribery Corruption Awareness training programme as part of their induction process upon joining the Group.

We publish our anti-bribery procedure on our intranet and each member of staff has to complete an annual assessment through the company's myAcademy online training portal. We are committed to actively investigating any reports of a breach in policy. No breaches were reported this year.

Modern Slavery Act compliance
Whistl is committed to ensuring that there is no modern slavery or human trafficking practices within our business or our supply chain. Our Anti-Slavery and Human Trafficking Policy reflects our responsibility to act ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our supply chain.

This policy works in conjunction with a range of other relevant policies and procedures that set out steps to be taken to support the identification and steps to prevent slavery and human trafficking in the business.

Our Modern Slavery Committee meet at least twice per year and includes representation from Legal; Audit and Compliance; Human Resources; Procurement; Communications; and, Security reviewing across the Whistl Group.

Our Anti-Slavery and Human Trafficking Statement for the 2020 has been published outlining our plans to ensure our approach and practices are assessed, reviewed and improved upon continually in line with best practice.

Tax Evasion
The Group operates a policy as part of its efforts against tax evasion and the facilitation of tax evasion. This policy arises from compliance with the Criminal Finances Act 2017. The policy is available on the Group's intranet, and forms part of a training programme which all employees are required to take each year.

The policy applies to anyone working for any company in the Group (whether they are employees, contractors, workers or in any other form of contract). Specific provisions are also included in our contracts with suppliers. The policy and supplier provisions set out the prohibitions on engaging in any form of tax evasion or facilitating it in any way, and require those working in Whistl and our suppliers to notify us if there is any form of tax evasion or facilitation of tax evasion.

Corporate Responsibility and Our People

Compliance Training

The Group has in place mandatory training for employees in order to:

- **Comply with the law and requirements of regulatory bodies**
- **To carry out duties safely and efficiently**
- **To reduce/address areas of risk**
- **To maintain competence to the required standards identified by our customers and/or external bodies e.g. ISO, IIP.**

Employees are required to complete this training at different stages including at induction, change of role, and then on annually to ensure they are aware of any updates.

The core mandatory training that is covered for all staff includes:

- **Information Security**
- **Data Protection – GDPR**
- **Mail Integrity**
- **Safety, Health and the Environment**
- **Business Ethics and Whistleblowing**
- **Bribery, Corruption, Tax Evasion and Corporate Criminal Offence**

Whistl recognises the importance of its role in managing social, economic and environmental issues. Corporate Social Responsibility (CSR) is the principal way Whistl seeks to co-ordinate and manage practices to maximise positive social and economic contribution and minimise the environmental impacts of its business. Engagement with key stakeholders including – clients, employees, community, environmental stakeholders, regulators, business partners, suppliers, and our shareholders is central to Whistl's approach to CSR.

Whistl divides CSR into four segments:

- **Customer and Value Chain**
  where we trade and how we trade
- **Employees**
  where we work and how we work and who we work with
- **Environment**
  how we reduce our impact on the world's ecosystems and natural resources
- **Philanthropy**
  how we support the community and world at large

Whistl is committed to behaving responsibly and to operate in the most efficient way to reduce the impact of our operations on the environment.

The Group have been submitting fully collated data to a number of indices including the CDP (formerly the "Carbon Disclosure Project"). The CDP is the leading international index of climate change and carbon management for companies.

Our performance submitted to CDP is as below:

CO_2e* emissions (metric tonnes)

	2019	2018	2017
Scope 1	**17,578**	16,842	16,765
Scope 2	**1,218**	1,920	2,128
Total	**18,796**	18,762	18,893

Intensity figures

	2019	2018	2017
Tonnes CO_2e by revenue	**0.030**	0.032	0.032
Tonnes CO_2e by no of employees	**13.44**	12.53	12.47
Tonnes per CO_2e by millions items	**0.57**	0.52	0.50

Scope 3 – CO_2e (metric tonnes)	2019	2018	2017
Employee commuting	**449.13**	n/a	n/a
Flights	**83.53**	57.95	64.72
Hotel	**129.68**	95.01	110.29
Train	**8.27**	8.27	14.42
Total	**670.61**	161.23	189.43

CO_2e* emissions (metric tonnes) by activity

	2019	2018	2017
Facility heating	**62**	81	108
Small vehicle fleet	**1,358**	1,414	1,484
Large vehicle fleet	**16,157**	15,347	15,173
Total	**17,577**	16,842	16,765

Energy consumption (MWh) by type

	2019	2018	2017
Fuel	**70,719**	65,617	65,211
Electricity	**3,710**	3,932	4,139
Heat	**339**	441	587
Total	**74,768**	69,990	69,937

Scope 1
Gas and fleet CO_2e (large and small vehicles used to collect, trunk and deliver mail between the customer, depot locations and Royal Mail), covers direct emissions from owned or controlled sources.

Scope 2
Electricity, covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

Scope 3
Business travel and employee commuting (information provided by 3rd party applications, Click Travel and Expenses on Demand). Scope 3 includes all other indirect emissions that occur in a company's value chain. In 2019 scope 3 includes employee commuting.

Latest conversion factors taken from Carbonfootprint.com (Government GHG Conversion Factors 2018)

Assumptions used for employee commuting only where 10p per mile was used as the basis to calculate the CO_2e where cost (as opposed to distance/mileage) was the only data available.

Data is calculated for Whistl DSA business only.

*CO_2 equivalent.

The main causes of CO_2 emissions in the company arise from heat and light within our sites and fuel for the fleet. In the past year Whistl has invested heavily in our van and bulk fleet to boost fuel efficiencies and cut emissions. Other activities include installation of telematics like IsoTrak across the entire fleet to embed more efficient driving techniques into the teams' operations.

Whistl has been recognised for its actions and strategies to reduce emissions and manage climate risks in its supply chain in the past reporting year. Over 4,800 companies in total were assessed by CDP and given a Supplier Engagement Rating (SER), based upon answers to selected questions about governance, targets, and scope 3 emissions. Value chain engagement of their response to the CDP 2019 climate change questionnaire and their overall CDP climate change score is also assessed. Whistl's SER score in 2019 increased from a B to an A rating. Whistl is among the top 3% of organisations assessed by CDP, one amongst 160 companies to achieve the Leader board this year.

Environmental and energy objectives
We remain committed to understanding, managing and reducing the environmental impact of our activities through innovation, technology and cultural change.

We are also committed to being a responsible energy user and will practice energy efficiency in all premises and with plant and equipment, where ever it is cost-effective and operationally viable.

We must comply with all current legislation and other requirements relating to the environment and its protection, plus energy usage, via our environmental and energy policies, objectives and management systems.

With our vehicles
We continue to transition our fleet to more efficient models and install telematics across the entire fleet to embed more efficient driving techniques into the teams' operations.

90% of our carbon emissions comes from our fleet, so it is imperative that we find ways to reduce our emissions. We see the routes to doing this as investment in vehicles and technology and driver engagement to improve driving styles and both were strategic objectives for 2019.

We have carried out successful trials of electric vans for our collections services and have identified routes where these will be suitable. Range is still an issue but is improving all the time and so we see electric vans as a solution at a number of depots.

HGVs prove to be problematic as the battery size, cost and range is prohibitive for trunking routes. In this sense diesel still remains the most suitable fuel source though all tractor units are EURO 6 and we have launched a driver behaviour campaign to improve efficient use of these vehicles. We are working with suppliers on an 18t electric rigid truck and this will be trialled in 2020.

Within our buildings
We reduce our environmental impact through setting targets, underpinned by improvements plans and performance measures. Utilities such as gas and electricity contribute to just over 6% of our carbon emissions. In 2019 we increased spend with an electricity provider to enable a zero-carbon source. This change occurred in Q4 2019 and we can already see the benefits from this with a significant reduction in our Scope 2 CO_2e.

Our consumption has also reduced and this is as a result of an investment in newer and more efficient buildings. These buildings have more roof light and improved building management systems. We will continue to make these investments where lease reviews allow.

Business travel and employee commuting
Our smallest contributing factor to our carbon emissions at 3%. We have always tracked our flights, hotels and train carbon emissions, but this year, due to improvements in data capture, we are also able to start monitoring our impact of employee commuting.

We seek to reduce unnecessary travel by encouraging alternative means of commuting, such as car sharing, cycle to work and public transport. We also seek to reduce travel completely by using remote conference calls and digital meeting applications.

Whilst this scope of carbon emissions equates to a small percentage, there is still a huge potential to reduce the financial and CO_2e impact of business travel and employee commuting, some of which occurred naturally over 2019, as a major impact on this area was with regards to the implementation of our Bedford Depot.

Packaging, waste and recycling efforts
Packaging: Ethical Superstore (part of the Whistl group) continually strive to use materials that safeguard products and are environmentally friendly. Packing material used includes: paper bubble wrap alternative, unbleached kraft roll, PVC free packing tape, reused cartons and 100% recycled paper void fill. In terms of recycling/ waste.

Total waste
1,421.5 Tons

Reclaimed
489.47 Tons – 0% goes to Landfill

Total recycled
922.09 Tons

Recycled
Target **55%** Actual **63%**

Health and Safety
We have a comprehensive Health & Safety framework which includes all major regulations, policies and a set of KPIs to monitor implementation and effectiveness of H&S standards.

Our application and adherence to our H&S standards in 2019 has enabled us to remain below the industry average for days lost through injury and lost time.

Our integrated Safety, Health and Environmental Management System provides a framework for managing risk, driving continual improvement and maintaining a safe, healthy, and environmentally responsible workplace.

We provide ongoing inductions and training for all our staff and visitors to site. We also provide refresher training on key priorities and general SHE standards.

	2019	2018
HSE Inspections/visits	**2**	3
Fatalities	**-**	-
Major injuries	**2**	4
Environmental incidents	**-**	2
AFR	**6.22**	5.24

Under HSE guidelines number lost days are logged as < 7 days (i.e. people have been off for less than 7 days, or over 7 days = a RIDDOR.

	2019	2018
Total incidents reported	**377**	406
Total injury reported incidents	**222**	169
Total lost time incidents	**67**	40
Near miss reporting	**25%**	50%
< 7 days	**2019**	2018
No of incidents	**42**	26
Total days lost	**104**	76

RIDDORS

	2019	2018
No of incidents	**25**	19
Total days lost	**641**	594
Total days lost	**745**	670

* the data above includes Whistl Fulfilment Group.

Our community
We are passionate about supporting our local communities and charities through volunteering opportunities, fundraising campaigns and activities.

There are also other ways employees can engage with communities. Whistl is supportive of employees wishing to work with the local communities on a volunteer basis such as helping out at a local food bank, managing a local sports team, socialising with the elderly and more. Employees are also able to contribute by a Just Giving (Give as you earn) facility to support a charity of their choice.

Our customers can contribute through Ethical Superstore (part of the Whistl Group) by making charitable donations at the checkout stage and offset their carbon footprint by donating to 'Trees for life'. Ethical Superstore also run a 'Black Friday' deal to support a food bank, donating an item for every order placed.

Our Customers
Our purpose is to help our clients achieve their business goals by providing a high standard of products and services that meet their needs.

- *We minimise the impact on the natural environment and the communities by raising awareness of our CSR with our customers and the market*
- *We operate openly and disclose performance information and data when requested by customers*
- *For a number of clients we provide carbon reporting for CDP (formerly the 'Carbon Disclosure Project') which discloses our impact within the supply chain*
- *We take a long term view with our products & services and environmental sustainability is built in right from the design stage. For example our AdMail and GreenPost products that we offer to reduce environmental impact and boost green credentials.*

Our Suppliers
Due diligence and supply chain controls are in place to ensure that we only engage with reputable suppliers who share our commitment to our business values, CSR and legal and regulatory requirements. During pre-screening and on boarding processes, all potential suppliers are required to confirm their compliance with applicable and relevant criteria, including business, labour and employment laws, such as Anti-bribery and Anti-slavery/human trafficking. We manage our Key Suppliers closely and have a dedicated Supplier Relationship Management (SRM) programme.

Our People
Our people are absolutely key to our continued success. The team is smart, commercial, engaging and passionate about what we do and how we do it. We recognise their value and invest in development programmes to help them reach their potential. We have developed and implemented various processes across our business to ensure all employees are given opportunities to access tools which will support their personal and career development.

Mental health and well being
Whistl is committed to the care and wellbeing of our employees and this is underpinned by our 'My Wellbeing' initiative which covers a wide range of resources available to all employees. Our Wellbeing strategy aims to inform all employees of where wellness help and advice can be sourced both within Whistl e.g. our intranet site, company funded Employee Assistance Programme. We also use via external organisations and help reduce the stigma of Mental Health by encouraging open and safe conversations.

We also hold numerous wellbeing events throughout the year that available to all employees which ranges from Tea and Talk sessions in support of National Time to Talk Day to Fruit and Hydration Stations to promote healthy living.

Our employees are pivotal to our business and we are committed to ensuring that they receive the support they need through My Wellbeing and we will continue to maintain this focus.

Treating people fairly is important to us and we have clear policies and practices relating to equality, diversity and pay.

Diversity
We are committed to eliminating discrimination and encourage diversity and inclusion amongst our workforce so that all employees and workers are treated with respect and dignity.

Our aim is to provide equality and fairness for all in our employment and not to discriminate on grounds of age, disability, gender assignment, marriage and civil partnerships, race, religion or belief, sex and sexual orientation.

We are committed to ensuring that the workforce, whether part-time, full-time or temporary, have the same opportunities in respect of employment, promotion, performance appraisals, transfers and training.

It is recognised that staff with disabilities may require reasonable adjustments to their workplace or have equipment provided in order that they may carry out their normal duties. We will endeavour to provide reasonable solutions for such situations.

All employees are made aware of our policies and procedures as well as processes to challenge any treatment they deem to be unfair.

Over the past 12 months we have spent time looking at how we can demonstrate our commitment to being a fully inclusive company that will embrace all people reflecting the world we live in. As part of this journey we have become part of the following initiatives:

The Valuable 500
This is a business to business initiative to get disability on the agenda of 500 companies and offer all people the opportunity to be part of our team. In 2020 we will provide a signed commitment statement which will appear on their website – https://www.thevaluable500.com/the-valuable-500/.

Our commitment is:

- *Ensuring both visible & invisible disability is on the agenda at board-level.*
- *Developing our Diversity & Inclusion strategy and plan to make D&I training mandatory for all our people managers.*
- *Reducing the stigma around discussing mental health, through various company initiatives focused on mental health awareness and support.*

The Race at Work Charter
This is part of the Business in the Community initiative. By signing up to the Charter and the five principles means Whistl is taking practical steps to ensure we are helping tackle barriers that ethnic minority people face in recruitment and progression and that Whistl is representative of British society today.

The five principles to action are:

1. Appointing a Race Champion at Board/ senior level
2. Capturing and publicising ethnicity data
3. Board level commitment to zero tolerance on bullying and harassment
4. Ensuring that tackling equality and inclusion is the responsibility of all leaders and managers within the organisation
5. Supporting the progress of ethnic minority talent in recruitment and progression.

INVESTING IN OUR PEOPLE

Skills and Training
Our Learning and Development team is committed to ensuring that everyone has the knowledge, skills and expertise to perform to consistently high standards and achieve their potential. A formal development and review plan is in place for each individual.

LEAP – which is our career development and leadership programme – continues to be the cornerstone of our career progression and talent management programme within Whistl. In 2019, 12 candidates (75% female and 25% male) completed the LEAP programme. Of the 89 Graduates working within the business 47% of have received a promotion or additional responsibilities since graduating (57% of female graduates and 43% of male graduates).

In 2019 we launched our new Management Capability Framework to sit alongside our leadership development programme. The framework sets out the skills, knowledge and behaviours we expect of our People Managers in line with our company practices. It acts as a tool to facilitate 360 feedback thereby helping to identify individual development for continuous improvement and support succession planning.

Within our online e-learning and performance management tool, My Academy we also have 'My Appraisal'. This enables individuals and managers to carry out appraisals, set objectives and capture employee performance online in a more efficient and measurable way.

Investors in People
Whistl is accredited as an Investors in People Employer and is currently undergoing a phased re-assessment between 2019-2021.

In our year one report IIP highlighted:

- *The positive impact of the LEAP Programme in equipping and supporting staff development with many clear examples of colleagues who have gone onto progress either through promotion or taking up key roles on significant projects for the business*
- *Strong focus on local charity/ community activity across many of our sites*
- *Clear performance metrics and feedback to people on an ongoing basis*
- *Good levels of empowerment*

There was special mention of best practice in Glasgow, Belfast and Farnborough around employee recognition, people development, objective setting and feedback.

With respect to key areas for improvement IIP identified:

- *Collaboration between sites and teams across the business*
- *Further work to embed the Whistl Practices as a part of everything we do*
- *Enable more access to Marvin for greater communication and collaboration*
- *Additional focus on day to day recognition and a review of our approach to Performance Review*

Action plans are in place to facilitate the sharing of best practice identified in the first year across the business whilst improving in those key areas for focus.

Apprenticeships
In 2019 we further increased the number of apprenticeships from 25 to 40. 11 people completed their apprenticeships in 2019. The scope and range of apprenticeships has widened and now include: HR, Marketing, Business Admin, Business Improvement Techniques, Supply Chain Operative, Engineering, HGV drivers, Transport Clerk and Transport Manager, Credit Control, Payroll, AAT Accountancy, as well as Management qualifications for Team Leader and Department/Operations Manager.

We donate 10% of our Apprenticeship Levy to a new not-for-profit organisation called Road to Logistics which has been formed with the aim of addressing the professional driver shortfall, whilst supporting those in society who may need a helping hand back into the workplace including the long-term unemployed, disabled, veterans and ex-offenders.

Valuing our people
We value what our employees think and how they feel. To monitor the satisfaction of our employees, each year we undertake an online employee engagement survey, MySay, run by an independent company. In 2019 we had an 87% response rate and an engagement rate continues to be strong at 71% which is in line with the industry level. Employees understand how they contribute to the future success of the organisation and have good relationships with their managers and understand their objectives. Employees feel Whistl motivates them to ensure customers are looked after and that Whistl is committed to equal opportunities. At the same time employees value development opportunities as well as flexibility and security of their job.

Employee Forum
The purpose of our Employee Forum is to improve communication, open discussion with all employees throughout Whistl on key business issues and to invite feedback from employees. Throughout 2019 we listened to our employees through their representatives and comments received in our engagement survey. Initiatives in 2019 included free fruit, alternative healthier options in the vending machines, continued support for our charity/social committee, wellbeing team and local business park initiatives to enhance the overall employee experience.

Gender Pay Gap Reporting

From April 2018, companies with 250 or more employees, including our main trading company, Whistl UK Ltd, are required to publish certain statistics relating to Gender Pay.

Based on the Government's hourly rate methodology, Whistl UK Ltd.'s pay rates were 0.54% lower for women vs men and higher than men by 2.49% according to the mean and median methodologies respectively.

The Group is committed to ensuring pay is fair, equitable and competitive regardless of gender. Our policies, including our compensation framework, union negotiated operational pay structure and salary benchmarking pay band approach, effectively promote equal pay and support gender pay aims.

Pay Quartiles

The gender pay metric is influenced by the proportion of men and women in each pay quartile.

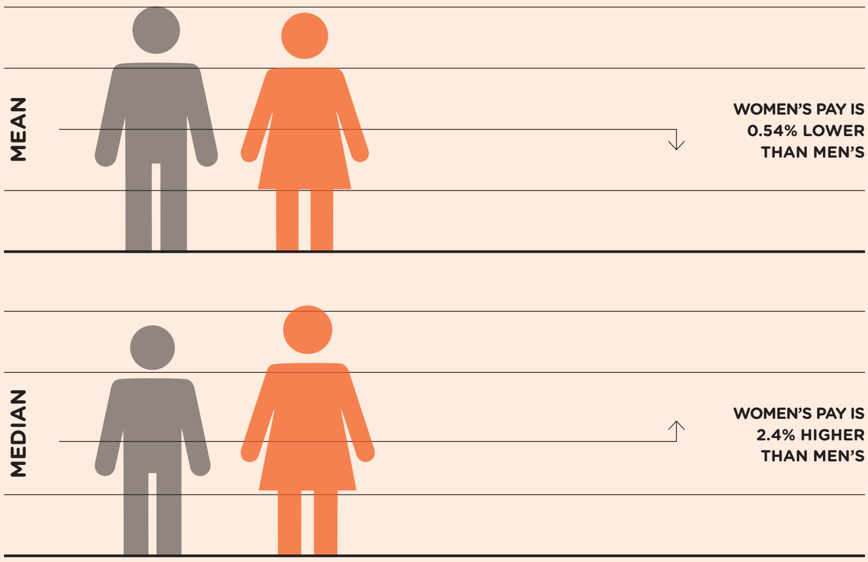
The top pay quartile contains a greater proportion of women compared to the other pay quartiles which increases women's average hourly rate according to both the mean and median methodologies.

The table on the right shows the percentage of men and women in each quarter of our pay profile.

Bonus Pay

Bonuses are linked to individual performance and or company targets, which supports a pay-for-performance culture. The bonus pay metric is also significantly influenced by the proportion of men and women in each of the pay quartiles. The median disparity in favour of women (153.4%) is due to a one off discretionary peak bonus paid to hourly paid drivers who are proportionately male. When excluding the hourly paid the difference in women's median bonus is 13.2% lower than men's.

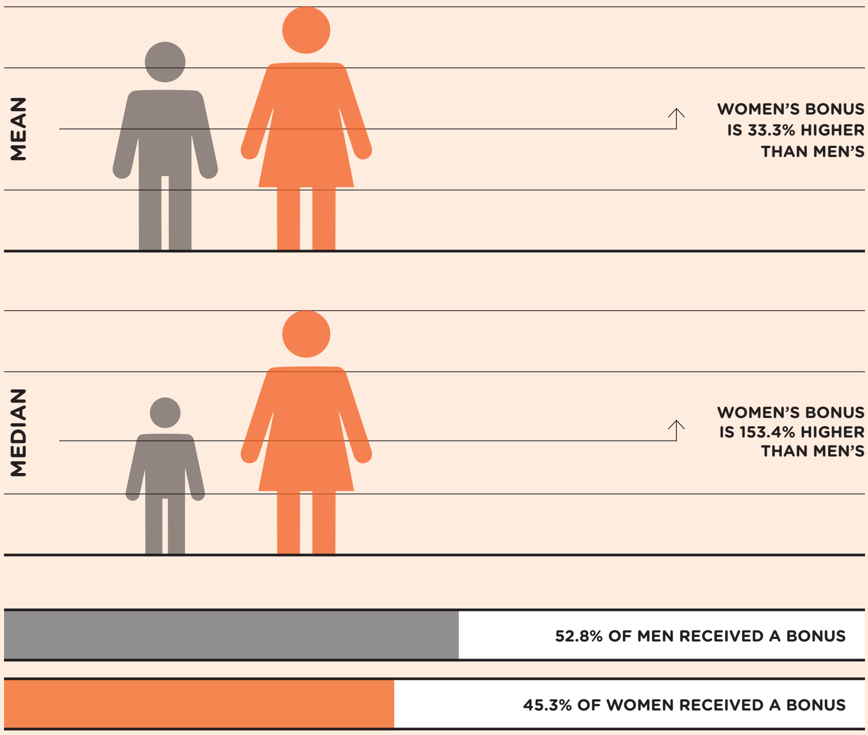
Pay gap



Percentage of men and women in each quarter of our pay profile

TOP QUARTILE	63.2% MEN	36.8% WOMEN
UPPER MIDDLE QUARTILE	73.3% MEN	26.7% WOMEN
LOWER MIDDLE QUARTILE	72.9% MEN	27.1% WOMEN
LOWER QUARTILE	65.7% MEN	34.3% WOMEN

Proportion of men and women receiving bonus



ONGOING ACTIONS TO SUPPORT THE PRINCIPLES OF GENDER PAY EQUALITY

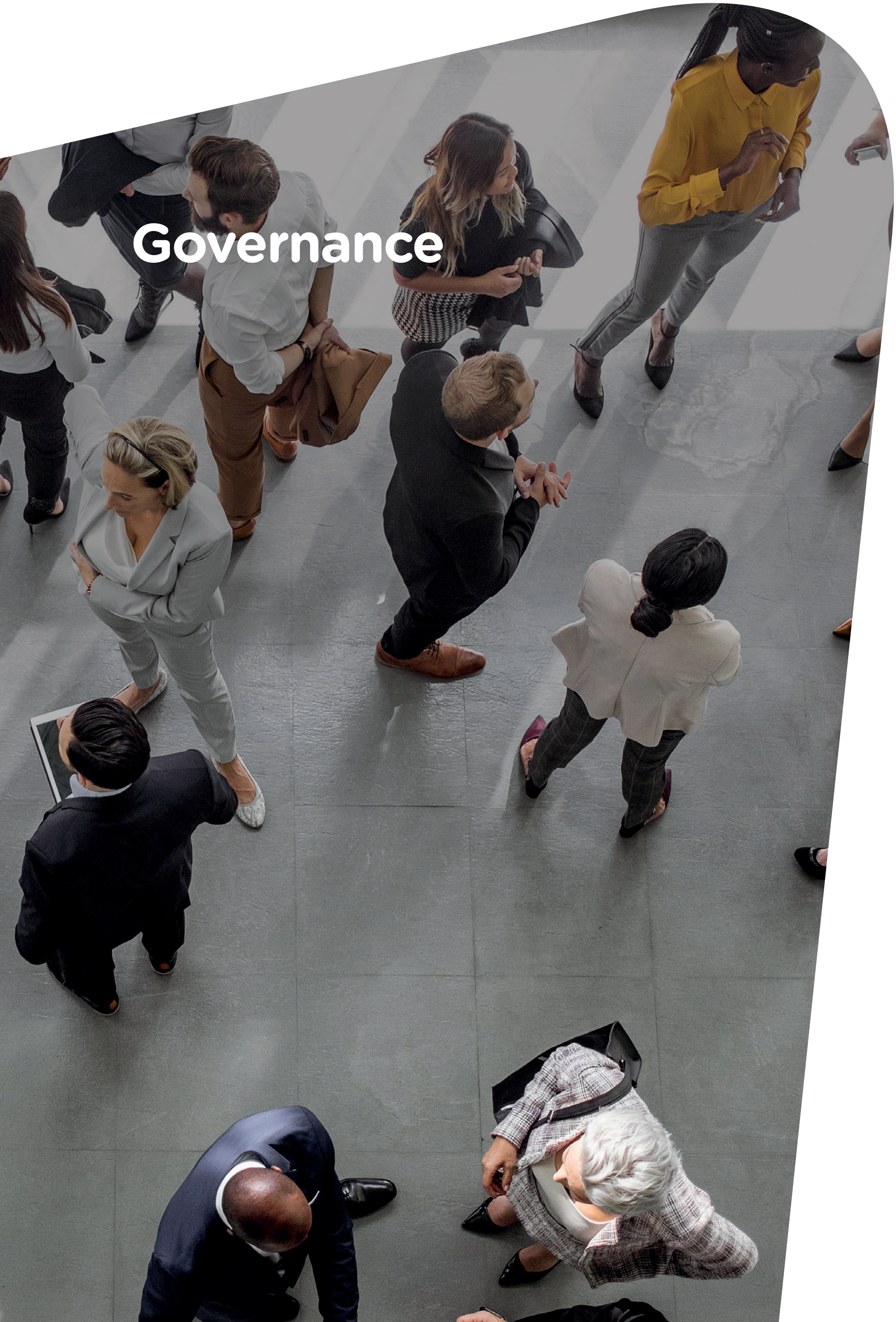
Reward principles
One of our key reward principles is to ensure pay is fair, equitable and competitive regardless of gender. Bonuses are linked to individual performance and/or company targets, supporting a pay-for-performance culture.

Trade Union Representation & National Living Wage
To ensure our workforce is fairly treated and represented, we have engaged with the trade union, Community, since January 2012. Community has a network of representatives across all of our sortation depots. We have a good relationship with the union who continue to be positive, effective and collaborative. From 1 April 2016, we adopted the new National Living Wage. Although the National Living Wage applies to individuals over 25, through working with Community, we agreed to apply this rate to all employees, regardless of age. We continue to pay all employees above the National Living Wage and this also applies to the two companies Parcelhub and the Spark Ecommerce Group which we acquired in 2018.

Additional Benefits
To further support employee engagement and support a work-life balance, we have partnered with You at Work/Plus You to provide employees with preferential shopping and membership discounts across a wide range of goods and services across the UK. Employees are able to access these discounts and special offers from home or at work via the Plus You website.

Work-Life Balance
We offer an Employee Assistance Program, partnering with Unum LifeWorks, to support our employees with their emotional wellbeing and work life balance. This is a free of charge service to support our employees with a wealth of resources covering life, health, family, work, money and life changes.

Flexible Working
We recognise the need for all employees to be able to request to work flexibly and we comply with all legislation in regard to the Children and Families Act 2014. We have policies and procedures in place to request and support flexible working which are communicated to all employees and people managers; all policies are available to all staff via our company intranet. Each request is reviewed and considered on a case by case basis and will be accommodated where possible against business requirements.


Governance

Governance structure
On 21 June 2019, NNY91 Limited acquired the entire share capital of Whistl Group Holdings Limited and its subsidiary undertakings and became the ultimate parent and controlling party.

NNY91 Limited is led and controlled by the Board of Management, which is collectively responsible for the long-term success of the Group and the endorsement and application of corporate governance.

The Board of Management is comprised of four executive Directors, and two non-executive Directors. The executive and non-executive Directors are not currently subject to retirement by rotation and there is no plan to implement such a regime. The Board of Management always aims to keep an appropriate balance of Board of Management expertise and length of director tenure and recognises that tenure must be considered when examining the independent status of non-executive Directors.

Board of Management sub-committees
The Board of Management is supported by three sub-committees - an Audit Committee, Executive Board and a Remuneration Committee. Each committee has terms of reference which are reviewed and revised where necessary.

The Executive Board operates from Whistl Group Holdings Limited, comprising of experienced management and operational teams with deep understanding of the Group's operations.

Our approach to corporate governance is to instil it throughout the business, with the Board of Management, taking collective responsibility for the overall management and leadership of the business, together with individuals and teams, taking ownership and being empowered to take appropriate decisions while reporting into the Executive Board, which in turn, reports into the Board of Management.

The Board of Management acknowledges its accountability in the performance and success of the business to its shareholders.

The Board of Management's agenda also covers:

- *Planning and monitoring Group strategy*
- *Financial and operational risk management*
- *Financial reporting, tax and treasury matters*
- *Performance of key management personnel and the Executive Board.*

The Board of Management operates robust procedures to ensure all decisions are made objectively:

- *Board of Management meetings take place on a monthly basis*
- *Conflicts of interest are declared openly and in advance and are managed respectfully*
- *The Board of Management receives a report from the Chief Executive and Chief Financial Officer as well as reports from its various committees and the Executive Board*
- *Members of the senior management team make presentations to both the Board of Management and the Executive Board on specific topics, creating a close connection between the Board of Management and the rest of the business*
- *In the period between Board of Management and Executive Board meetings, all Directors receive email updates on significant matters arising. This may result in discussion by conference call between Board of Management meetings*

Communication with stakeholders
Throughout the year, the Group has maintained regular monthly contact with its shareholders and investors to ensure that the interests of shareholders are aligned with the Company's. Good governance is an essential tool in ensuring that stakeholders remain committed partners as we invest in our business for the longer term.

Executive Board profiles

Nick Wells
Chief Executive Officer

Nick joined Whistl (formerly TNT Post UK) in 2001 when he sold his direct marketing business to TNT in 2001.

Nick led the management buyout of Whistl from PostNL, and has overseen the growth of Whistl approaching £700m of revenues.

Nick is a lead commentator on postal and direct marketing issues.

Nigel Polglass
Chief Operating Officer

Nigel joined Whistl (formerly TNT Post UK) in 2008 as MD of TNT Post London, which he took from start-up to £55m of sales in three years.

Prior to Whistl, Nigel held senior positions within market leading and multi-national companies including Ceridian Corporation, Hays PLC and the Royal Mail Group.

Nigel was appointed Chief Operating Officer of Whistl in 2013.

Manoj Parmar
Chief Financial Officer

Manoj qualified as a Chartered Accountant with Price Waterhouse Coopers and subsequently went on to senior, international finance and commercial positions with Cable & Wireless.

Prior to joining Whistl in 2011, Manoj held similar positions in private equity backed companies.

Alistair Cochrane
Chief Development Officer

Alistair joined Whistl in 2018 and has a longstanding relationship with the company as he was Managing Director of TNT Express, a former sister company of Whistl when owned by the TNT Group. He is recognised as an industry expert in UK and international logistics through his 26 years working for TNT and more recently at Parcelforce worldwide.

Lynn Dillon
HR Director

Prior to becoming HR Director, Lynn was the Operations Director within the Doordrop Media business, a role that she held for 11 years.

Lynn is passionate about creating a culture that strives for continuous improvement to help build strong, productive relationships with our customers.

Mark Davies
MD Doordrop Media

Mark joined Whistl in 2003 and occupied several key sales roles before becoming MD of the DDM business.

Mark is President of ELMA (the European Letterbox Marketing Association), represents the company on the DMA print council and speaks regularly on the doordrop industry both in the UK and across Europe.

Andrew Goddard
Commercial Director

Andrew initially joined Whistl on secondment from Express Dairies where he was their Head of Home Delivery.

Before this he was Client Director and Head of Home Shopping & E-commerce at Royal Mail and also ran their Door to Door business.

He was previously in the Royal Logistic Corps and achieved the rank of Lt Col before retiring in 2006.

Jason Powell
IT Director

Jason is responsible for the design and implementation of Whistl's IT strategy, ensuring that customers have a seamless experience and that the business continues to lead through technology innovation. Jason's experience includes senior technology roles in the banking, telecoms, utilities, BPO and retail sectors for corporate enterprises.

Gareth Hughes
Procurement Director

Gareth joined Whistl in 2014 and has held procurement leadership roles across a range of sectors including positions at Bupa and Legal & General. In addition to procurement he has responsibility for the Whistl property portfolio and fleet management. He is a Fellow of the Chartered Institute of Purchase & Supply (CIPS).

John Evans
Director of Legal & Company Secretary

John joined Whistl in 2011 (known as TNT Post at the time) and was made Director of Legal and a member of the Executive Board in 2019. John is a specialist in commercial and corporate law, and provides strategic legal, risk management and compliance advice and support to all of Whistl's businesses. He is also Company Secretary for the Whistl Group.

Dave Twiddle
Director of Operations
(Mail and Parcel Business)

Dave, joined Whistl in 2014 undertaking a number of Operational Leadership roles, including Head of Operations before becoming Operations Director in October 2019. He has played a central role in the development of our network, supporting and developing our teams to deliver industry leading service to our customers.

Directors' Report for the year ended 31 December 2019

The Directors present their report and the audited consolidated financial statements of the Group for year ended 31 December 2019.

Directors

The statutory Directors who served the company during the period and up to the date of signing the financial statements were as follows:

N Wells
N Polglass
M Parmar
J Greenbury

The Directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Political donations

The Group made no political donations during the year (2018: £nil).

Matters covered in the strategic report

Discussion of going concern, financial risk management, future developments, employees and payment of dividends have been included in the Strategic report.

Directors' duties

Directors UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

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

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. For details of our principal risks and uncertainties, and how we manage our risk environment, see pages 16 to 19.

Our People

The Group is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, customers, suppliers and society as a whole. People are at the heart of our specialist services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way. For further details on our people and employee involvement, see pages 24 to 27.

Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value all of our clients and suppliers and have contracts with our key suppliers, see page 24.

Culture and Values

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our clients, people and other stakeholders. Through the use of employee forums and management workshops, we identify values that govern how we act as a business, see pages 25 to 27.

Communication with stakeholders

Throughout the year, the Group has maintained regular monthly contact with its shareholders and investors to ensure that the interests of shareholders are aligned with the Company's. Good governance is an essential tool in ensuring that stakeholders remain committed partners as we invest in our business for the longer term. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered, see page 31.

Statement of disclosure of information to auditor

In the case of each Director in office at the date the Directors' report is approved under section 418, the following applies:

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company 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 Group and parent 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 Group or the parent company or to cease operations or have no realistic alternative but to do so.

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

Independent auditor

Ernst & Young LLP was appointed auditor during the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Signed on behalf of the Board of Management.

Manoj Parmar
CFO

29 September 2020

Independent Auditor's Report to the Members of Whistl Group Holdings Limited

Opinion

We have audited the financial statements of Whistl Group Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the parent company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Paul Etherington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor, Reading

29 September 2020

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	5	**684,987**	616,349
Cost of sales		**(647,060)**	(579,775)
Gross profit		**37,927**	36,574
Administrative expenses		**(35,304)**	(27,616)
Administrative expenses – Exceptional items	6	**(6,752)**	(1,509)
Total Administrative expenses		**(42,056)**	(29,125)
Other operating income		**38**	-
Operating (loss)/profit:			
- Before exceptional items		**2,661**	8,958
- Exceptional items		**(6,752)**	(1,509)
Operating (loss)/profit	6	**(4,091)**	7,449
(Loss)/profit before interest and taxation		**(4,091)**	7,449
Interest receivable and similar income	9	**27**	28
Interest payable and similar expenses	10	**(347)**	(611)
(Loss)/profit before taxation		**(4,411)**	6,866
Tax on (loss)/profit	11	**383**	(612)
(Loss)/profit for the financial year		**(4,028)**	6,254
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Shareholders of the parent company		**(4,038)**	6,222
Non-controlling interest		**10**	32
		(4,028)	6,254

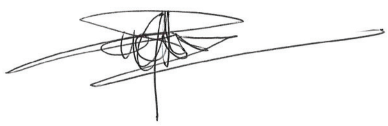
All results derive from continuing operations. None of the Group's activities were discontinued during the current year or previous year. There is no material difference between the (loss)/profit before taxation and the (loss)/profit for the year stated above and their historical cost equivalents.

The notes on pages 43 to 64 form part of these statements.

Consolidated Statement of Financial Position as at 31 December 2019

	Note	**2019 £'000**	2018 £'000
Fixed assets			
Negative Goodwill		**-**	-
Other intangible assets		**14,629**	16,432
	13	**14,629**	16,432
Tangible assets	14	**11,763**	11,731
		26,392	28,163
Current assets			
Stocks	16	**533**	431
Debtors	17	**80,760**	77,467
Cash at bank and in hand		**42,540**	40,698
Total current assets		**123,833**	118,596
Creditors: amounts falling due within one year	18	**(140,505)**	(123,402)
Net current liabilities		**(16,672)**	(4,806)
Total assets less current liabilities		**9,720**	23,357
Creditors: amounts falling due after one year	19	**(711)**	(2,588)
Provisions for liabilities	20	**-**	(70)
Net assets		**9,009**	20,699
Capital and reserves			
Called up share capital	23	**3**	3
Share Premium Account	23	**1,099**	1,084
Other reserves		**4**	(100)
Retained earnings		**7,903**	19,567
Equity attributable to the parent's shareholders		**9,009**	20,554
Non-controlling interest		**-**	145
Total equity		**9,009**	20,699

The notes on pages 43 to 64 form part of these statements. The financial statements on pages 38 to 64 were approved by the Board on 29 September 2020 and were signed on its behalf by



Manoj Parmar
Director

Registered number: 9779561

Company Statement of Financial Position as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investment in subsidiary undertakings	15	**-**	-
Current assets			
Debtors	17	**182**	6,158
Cash at bank and in hand		**3,899**	-
Total current assets		**4,081**	6,158
Creditors: amounts falling due within one year	18	**(112)**	(1,500)
Net current assets		**3,969**	4,658
Creditors: amounts falling due after one year	19	**-**	(293)
Net assets		**3,969**	4,365
Capital and reserves			
Called up share capital	23	**3**	3
Share premium account	23	**1,099**	1,084
Other reserves		**15**	15
Retained earnings		**2,852**	3,263
Total equity		**3,969**	4,365

The notes on pages 43 to 64 form part of these statements.

The financial statements on pages 38 to 64 were approved by the board on 29 September 2020 and were signed on its behalf by

Manoj Parmar
Director
Registered number: 9779561

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £'000	Share Premium account £'000	Other reserves £'000	Non-controlling Interests £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	**3**	**1,058**	**15**	**327**	**14,845**	**16,248**
Issue of shares	-	26	-	-	-	26
Acquisition of non – controlling interest	-	-	(115)	(214)	-	(329)
Total comprehensive income for the year	-	-	-	-	6,222	6,222
Profit attributable to non – controlling interest	-	-	-	32	-	32
Dividends payable	-	-	-	-	(1,500)	(1,500)
At 31 December 2018	**3**	**1,084**	**(100)**	**145**	**19,567**	**20,699**
Issue of shares	-	15	-	-	-	15
Own shares acquired	-	-	-	-	(5,636)	(5,636)
Acquisition of non – controlling interest	-	-	104	(155)	10	(41)
Total comprehensive expense for the year	-	-	-	-	(4,038)	(4,038)
Profit attributable to non – controlling interest	-	-	-	10	-	10
Dividends payable	-	-	-	-	(2,000)	(2,000)
At 31 December 2019	**3**	**1,099**	**4**	**-**	**7,903**	**9,009**

Company Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £'000	Share Premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	**3**	**1,058**	**15**	**2,224**	**3,300**
Issue of shares	-	26	-	-	26
Total comprehensive income for the year	-	-	-	2,539	2,539
Dividends payable	-	-	-	(1,500)	(1,500)
At 31 December 2018	**3**	**1,084**	**15**	**3,263**	**4,365**
Issue of shares	-	15	-	-	15
Own shares acquired	-	-	-	(5,636)	(5,636)
Total comprehensive income for the year	-	-	-	7,225	7,225
Dividends payable	-	-	-	(2,000)	(2,000)
At 31 December 2019	**3**	**1,099**	**15**	**2,852**	**3,969**

The notes on pages 43 to 64 form part of these statements

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash from operating activities before exceptional items		**21,665**	23,747
Exceptional items		**(6,752)**	(1,509)
Net cash from operating activities	26	**14,913**	22,238
Taxation paid		**31**	(348)
Net cash generated from operating activities		**14,944**	21,890
Cash flows from investing activities			
Purchase of subsidiary undertakings		**-**	(13,240)
Business acquisition		**(182)**	-
Purchases of intangible assets		**(1,140)**	(796)
Purchases of tangible assets		**(2,580)**	(6,370)
Interest received		**27**	28
Net cash flow from investing activities		**(3,875)**	(20,378)
Cash flows from financing activities			
Proceeds from issue of share capital		**15**	26
Purchase of own shares		**(5,636)**	-
Acquisition of non-controlling interest		**(41)**	(329)
Payment of deferred consideration		**(826)**	-
Repayment of obligation under finance leases		**(42)**	(32)
Insurance proceeds		**1,443**	-
(Repayment)/receipt of loan		**(293)**	25
Receipt of grants		**-**	213
Dividends paid		**(3,500)**	-
Interest paid and similar expenses		**(347)**	(581)
Net cash used from financing activities		**(9,227)**	(678)
Net increase in cash and cash equivalents		**1,842**	834
Acquisitions through business combinations		**-**	2,761
Cash and cash equivalents at beginning of year		**40,698**	37,103
Cash and cash equivalents at end of year consists of:			
Cash at bank and in hand		**42,540**	40,698

The notes on pages 43 to 64 form part of these statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1 General information

The principal activities of Whistl Group Holdings Limited and its subsidiaries are the distribution of Downstream Access Mail and Doordrop Media in its various forms (being letters of various sizes and parcels), Fulfilment, Call Contact Centre and Data Services. Whistl Group Holdings Limited is a private company limited by shares, domiciled and incorporated in England and Wales. The address of the registered office is Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB.

2 Statement of compliance

The Group and individual financial statements of the company have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to the year presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the recognition of certain fixed assets and liabilities measured at fair value. The going concern preparation is based on projections and availability of funding.

The Group has indicated that it will continue to make available such funds as are needed by the company. After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 below.

These financial statements have been prepared under FRS 102 and are presented in Sterling (£).

Impact of Covid-19 and Going Concern
Since 31 December 2019, consequences of the Covid-19 pandemic have become evident. The Group's activities have been classified as key essential services by the British Government and consequently it can continue to trade in all its sectors. The Group is currently benefiting from double digit percentage growth in the parcels market and in its fulfilment businesses. The core mail business initially experienced a reduction in volumes as a result of the pandemic however more recent trading has indicated a gradual recovery in volumes occurring as government restrictions start to be relaxed. We expect mail volumes in 2020 to be lower than in the previous year with a substantial recovery anticipated by the second half of 2021. The reduced activity in the advertising and marketing sector has caused a reduction in demand for advertising mail (Admail).

The Group has taken rapid and significant steps to reduce costs to mitigate the financial impact of lower mail volumes, which include reducing the cost to serve in the network. All changes have been well supported by stakeholders including our customers who continue to appreciate the service we offer in these difficult times. The Group has also been able to access government support via the Employee Furlough scheme and HMRC tax payment deferrals, in accordance with the Government Covid-19 corporate relief package, while it has taken time to adapt to the current situation.

The Group has assessed the situation and is confident that the actions taken will ensure that it is well placed to benefit from the economic recovery following the end of government restrictions. The situation remains dynamic and therefore the Group will continue to assess the situation as it develops. The Group has secured practical and financial support from all major Stakeholders (bankers, customers, suppliers, government, employees and our union) to help ensure the Group will trade through the current disruption of the advertising mail market.

To address any potential prolonged effects of the pandemic the Group has had discussions with its Bankers, who continue to be supportive and we have substantial banking facility headroom, to meet future requirements.

The Group is expected to remain in a strong position, for the following reasons:

- As at 31 July 2020 the Group had available cash resources of £50.9m, significantly higher than the level needed to cover short term cash outflows.
- In addition to the available cash resources of £50.9m the Group can draw on the working capital element of the committed facility provided by HSBC.
- The Group has accelerated cost saving plans and will take further mitigating actions to reduce the impact of Covid-19 on earnings and cash. During the second quarter of 2020, despite the lockdown with very little time to prepare, the Group has reported an EBITDA profit.

The Group has undertaken financial stress testing that considered a range of potential impacts of the pandemic on its financial resilience. These confirm that the Group will continue to maintain liquidity despite modelling extreme adverse conditions. After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The Directors are of the view that Covid-19 does not directly impact the Company's ability to continue as a going concern. The Company does not carry out any trading activities and is in a net asset position as at 31 December 2019. As such the Company continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation
The Group financial statements include the results of the company and all of its subsidiary undertakings. Uniform accounting policies are applied throughout the Group and intra-group transaction and balances are eliminated on consolidation.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. In the parent financial statements, investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Turnover
Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for delivery services provided in the normal course of business, net of discounts, rebates and Value Added Tax. Sales are recognised only on the passing over of Downstream Access Mail to Royal Mail and other carriers for final distribution.

Agency revenue is recognised where the company enters into an agency agreement relationship and only the Whistl component of services provided, is recognised as revenue and not the amounts collected on behalf of the principal.

Unaddressed Mail revenue is derived from client specific contractual arrangements, for delivery of marketing material and/or market research across a variety of distribution networks. Invoiced amounts, exclusive of Value Added Tax, are recognised within the profit and loss account in the month of delivery.

Fulfilment turnover comprises revenue recognised by the company in respect services supplied during the year, exclusive of value added tax and net of trade discounts. Service revenue is recognised once the company has performed its service to the client.

Revenue recognised but not billed for services delivered during the financial year has been recognised as accrued income in the statement of financial position.

Business combinations and goodwill
Business combinations are accounted for by applying the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Purchase goodwill is amortised over its expected useful life, management have estimated the useful life of the purchased goodwill to be 10 years.

Where the cost of the business combination does not exceed the fair value of the Group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The Group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the years in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the year expected to benefit.

Goodwill is assessed annually for impairment and when there are indicators of impairment and any impairment is charged to the income statement.

Negative goodwill is amortised over its expected useful life, management have estimated the useful life of the negative goodwill to be three years.

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to allocate the cost of intangibles less their residual values over their estimated useful lives. The intangible assets are amortised over the following useful economic lives:

Computer software/IT infrastructure	-	3 to 5 years straight line
Negative goodwill	-	3 years straight line
Purchased goodwill	-	10 years straight line

Assets under construction, which consist of computer software under development, are included in the category of intangible assets at cost and are not depreciated. The expected useful lives of the assets are reassessed periodically in the light of the experience.

Tangible Fixed assets
Tangible fixed assets are measured at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold property	-	Over term of lease
Plant and machinery	-	3 to 10 years straight line
Fixtures and fittings	-	3 years straight line
Computer equipment	-	3 years straight line
Motor vehicles	-	25% reducing balance

Assets under construction, which consist of plant and machinery are included in the category of tangible assets at cost and are not depreciated.

Fixed asset investments – subsidiary undertakings
Investments are stated at the cost of the shares plus all other associated costs less any provision for impairment. Investments are reviewed annually and impairments are assessed if the investment's carrying value is greater than the recoverable amount.

Impairment of assets
At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. The carrying value of intangible and tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in statement of comprehensive income.

Financial instruments
The Group has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and amounts owed by Group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets are measured at amortised cost, net of any allowance for impairment in relation to irrecoverable amounts. The impairment is recognised in the profit and loss.

Financial liabilities
Basic financial liabilities, including trade and other payables and amounts owed to Group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables and amounts owed to Group undertakings are not interest bearing and are recognised at carrying amount which is deemed to be a reasonable approximate to their fair value.

At the end of each reporting period financial liabilities are measured at amortised cost using the effective interest method.

Impairment of Financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provisions
Provisions are recognised when the company and Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Borrowing costs
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used.

Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 recognised for the amount of tax payable/(recoverable) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting 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.
Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax assets are recognised to the extent that it is probable that they will be recovered. This requires judgements to be made in respect of the forecast of future taxable income.

A deferred tax asset is recognised as recoverable 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 against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits
The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

The Group recognises an accrual for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The accrual is measured at the salary cost.

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the statement of comprehensive income.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Exceptional items
The Group classifies certain one-off charges or credits that are usual or have a material impact on the Group's financial results as 'exceptional items'. Exceptional items as costs incurred by the Group include gains and losses on disposal of significant assets, integration and reorganisation, non-recurring business restructuring, capital restructuring and mergers and acquisition activity related costs. These are disclosed separately to provide further understanding of the financial performance of the Group.

Related party disclosures
The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Grants
Grants are included within accruals in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Share based payments
Equity-settled share options are granted to certain officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest, through an increase to equity. The number of awards expected to vest is reviewed over the vesting period, with any forfeitures recognised immediately.

Share capital
Ordinary shares are classified as equity.

Own shares
Own shares consist of treasury shares and are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to retained earnings. No gain or loss is recognised in the performance statements on transactions in treasury shares.

Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

Going Concern
The financial statements have been prepared on the going concern basis, which assumes the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future. Please refer to Note 3 under basis of preparation and going concern sections on pages 43 and 44 for more details on the judgements involved.

Provisions
Provision is made for impairment of fixed assets. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement. The adequacy of provisions is reviewed monthly.

Goodwill
The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable values is required. This requires estimation of the future cashflows and also selection of appropriate discount rates in order to calculate the net present value of those cashflows.

Impairment of trade debtors
The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and the associated impairment provision.

Deferred Tax
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Accounting for Business combinations
The Group has accounted for the transaction using the acquisition method of accounting, the fair value of the identifiable assets acquired and liabilities at the year-end date are not materially different from their net book value at the date of acquisition.

The estimation of the deferred consideration payable to shareholders of the businesses acquired during the financial year required estimation of the future levels of profitability over a number of years.

5 Turnover

The Group's turnover is derived from the provision of delivery and fulfilment services within the UK. The turnover and profit before tax are attributable to the principal activity of the company. An analysis of turnover is given below:

	2019 £'000	2018 £'000
Downstream Access Mail	**457,261**	432,051
Parcels and International	**138,831**	113,946
Doordrop Media	**50,094**	52,686
Fulfilment	**38,801**	17,666
	684,987	616,349

6 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Negative goodwill amortisation	**-**	(1,889)
Amortisation of purchased goodwill	**1,385**	589
Amortisation of intangible fixed assets	**1,237**	1,498
Depreciation of tangible fixed assets	**2,560**	1,843
Impairment of trade debtors	**414**	146
Exceptional costs*	**6,752**	1,509
Insurance receipts**	**(504)**	-
Grant income	**(256)**	(245)
Auditor's remuneration		
- as auditor	**174**	143
- other non-audit related services	**35**	-
Net loss/(gain) on foreign currency translation	**23**	(52)
Operating lease charges:		
- Plant and machinery	**5,906**	5,486
- Other	**6,267**	5,220

* Exceptional costs of £6.8m were incurred in the year, which included one-off start-up and double running costs incurred in the year of £5.1m in relation to the new Super Hub in Bedford.

** Insurance receipts credited to the profit and loss account during the year totalled £1.2m of which £0.7m has been treated as an exceptional credit. Of the £0.7m insurance receipts, £0.6m of insurance receipts represents compensation for damaged to plant and machinery and the £0.1m offsets costs incurred rectifying our Iver site which was vandalised. The remaining £0.5m of insurance receipts represents compensation for business interruption. Other exceptional costs of £1.4m related to reorganisation and management restructure, £0.4m in relation to financing of the group and £0.6m of advisory costs.

7 Employee information

The average monthly number of staff (including Executive Directors) employed by the Group during the year amounted to:

	2019 Number	2018 Number
Sales, management, finance and administration	**421**	238
Operations	**1,557**	1,552
	1,978	1,790

The aggregate payroll costs of the above were:

	2019 £'000	2018 £'000
Wages and salaries	**50,943**	46,025
Social security costs	**5,020**	4,487
Other pension costs (note 27)	**1,763**	1,291
	57,726	51,803

8 Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2019 £'000	2018 £'000
Aggregate emoluments	**852**	837
Value of Group pension contributions to money purchase schemes	**6**	18
	858	855

Emoluments of highest paid Director:

	2019 £'000	2018 £'000
Aggregate emoluments	**369**	371
Value of Group pension contributions to money purchase schemes	**-**	-
	369	371

The number of Directors who accrued benefits under Group pension schemes was as follows:

	2019 Number	2018 Number
Money purchase schemes	**1**	1

The number of Directors who were granted share options during the year was as follows:

	2019 Number	2018 Number
	-	1

The Statutory Directors are considered to be the key management personnel of the company. The Directors' aggregate emoluments in respect of qualifying services for the year are recharged to Group companies.

9 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest	**27**	28

10 Interest payable and similar expenses

	2019 £'000	2018 £'000
Bank interest and similar expenses	**345**	581
Other interest	**-**	27
Finance leases	**2**	3
	347	611

11 Tax on (loss)/profit

The tax (credit)/charge is based on the (loss)/profit for the year and represents:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on (loss)/profit for the year at 19.0% (2018: 19.0%)	**(698)**	886
Adjustment in respect of prior years	**(262)**	(230)
Total current tax (credit)/charge	**(960)**	656
Deferred tax (note 21)		
Origination and reversal of timing differences	**245**	153
Rate changes	**161**	-
Adjustment in respect of prior years	**171**	(197)
Total tax (credit)/charge for the year	**(383)**	612

The tax credit (2018: charge) on the profit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below.

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before taxation	**(4,411)**	6,866
(Loss)/profit for the year multiplied by 19.0% (2018: 19.0%)	**(838)**	1,304
Items not taxable for tax purposes	**437**	(415)
Rate changes	**161**	-
Accelerated capital allowances	**(24)**	(55)
Permanent timing differences	**-**	234
Other timing differences	**(28)**	(29)
Adjustments in respect of prior years	**(91)**	(427)
Total tax (credit)/charge for the year	**(383)**	612

A reduction in the UK Corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at the balance sheet date has been calculated based on these rates.

Although the government has announced its intention to cancel the corporation tax rate reduction from 19% to 17%, this change has not been substantively enacted at the balance sheet date and therefore not reflected in these financial statements.

12 Profit and loss account of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the year was £7,225,000 (2018: profit £2,539,000).

The parent company's profit for the year includes £7,500,000 of dividends receivable (2018: £2,500,000 received) from subsidiary companies.

13 Intangible fixed assets – Group

	Negative Goodwill £'000	Purchased Goodwill £'000	Computer software/IT infrastructure £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2019	(6,798)	14,921	6,131	388	14,642
Acquisitions through business combinations	-	70	-	100	170
Reclassification	-	(491)	-	-	(491)
Additions	-	-	36	1,104	1,140
Transfer	-	-	1,182	(1,182)	-
At 31 December 2019	**(6,798)**	**14,500**	**7,349**	**410**	**15,461**
Amortisation					
At 1 January 2019	(6,798)	643	4,365	-	(1,790)
Amortisation	-	1,385	1,237	-	2,622
At 31 December 2019	**(6,798)**	**2,028**	**5,602**	**-**	**832**
Net Book Value					
At 31 December 2019	**-**	**12,472**	**1,747**	**410**	**14,629**
At 31 December 2018	-	14,278	1,766	388	16,432

Purchased goodwill arose on business acquisitions (see note 32) and is being amortised on a straight line basis over a period of 10 years which is equal to the period over which the related non-monetary assets of the acquired business are being amortised.

14 Tangible fixed assets – Group

	Long Leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2019	3,679	11,906	766	1,045	149	17,545
Acquisitions through business combinations	-	12	-	-	-	12
Disposals	-	(442)	-	-	-	(442)
Additions	10	2,125	17	428	-	2,580
Transfer	-	(449)	160	289	-	-
At 31 December 2019	**3,689**	**13,152**	**943**	**1,762**	**149**	**19,695**
Depreciation						
At 1 January 2019	1,617	3,058	416	699	24	5,814
Disposals	-	(442)	-	-	-	(442)
Depreciation	291	1,756	185	264	64	2,560
At 31 December 2019	**1,908**	**4,372**	**601**	**963**	**88**	**7,932**
Net Book Value						
At 31 December 2019	**1,781**	**8,780**	**342**	**799**	**61**	**11,763**
At 31 December 2018	2,062	8,848	350	346	125	11,731

Assets under construction of £193,000 (2018: £1,505,000) are included in plant and machinery.

The net carrying amount of assets held under finance leases included in motor vehicles is £nil (2018: £18,000).

15 Investments in subsidiary undertakings – company

Cost	2019 £'000
At 1 January 2019 and 31 December 2019	-
Net book value	-

At 31 December 2019 the company had a majority shareholding in the following entity (see note 33):

Undertaking	Country of incorporation	Activity	Proportion of Ordinary shares held (%)
Whistl Limited	UK*	Holding Company	100

*Registered office at Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB.

The Directors consider that the value of the investments to be supported by their underlying assets, projections and prospects for the business.

16 Stocks – Group

	2019 £'000	2018 £'000
Finished goods and goods for resale	**533**	431

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying amounts. Stock recognised as expenses during the year amounted to £3.9m (2018: £0.4m).

17 Debtors

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade debtors	**69,630**	57,528	**-**	-
Amounts owed by Group undertakings	**-**	-	**107**	3,554
Deferred tax (note 21)	**2,358**	2,020	**-**	10
Corporation tax receivable	**80**	66	**75**	94
Dividends receivable	**-**	-	**-**	2,500
Other debtors	**631**	430	**-**	-
Prepayments and accrued Income	**8,061**	17,423	**-**	-
	80,760	77,467	**182**	6,158

Amounts owed by Group undertakings relating to intra group trading are unsecured, interest free and repayable on demand. An impairment provision of £820,000 (2018: £601,000) was recognised against trade debtors.

Group deferred tax includes £2,088,000 (2018: £1,404,000) falling due after more than one year.

Details of the company's exposure to credit risk are given in the Strategic report.

18 Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	**50,805**	46,563	**-**	-
Amounts owed to Group undertakings	**952**	-	**112**	-
Finance leases (Note 22)	**19**	41	**-**	-
Taxation and social security	**20,307**	18,444	**-**	-
Dividends payable	**-**	1,500	**-**	1,500
Other creditors	**3,085**	1,655	**-**	-
Accruals and deferred income	**65,337**	55,199	**-**	-
	140,505	123,402	**112**	1,500

Details of the company's exposure to liquidity risk are given in the Strategic report.

Other creditors relate to deferred consideration for future amounts payable on acquisitions (see note 32).

Net obligations under finance leases are secured by fixed charges against the assets to which they relate.

19 Creditors: amounts falling due after one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Finance leases (note 22)	**-**	20	**-**	-
Loan notes	**-**	293	**-**	293
Other creditors	**711**	2,275	**-**	-
	711	2,588	**-**	293

Loan notes are unsecured and interest is charged at a rate of 10%, and were fully repaid in the year.

Other creditors relate to deferred consideration for future amounts payable on acquisitions (see note 32).

Net obligations under finance leases are secured by fixed charges against the assets to which they relate.

20 Provisions for liabilities – Group

	Onerous Provision £'000	Total £'000
At 1 January 2019	70	**70**
Utilised in the year	(70)	**(70)**
At 31 December 2019	-	**-**

The onerous provision relates to the termination of certain operating leases and was utilised in 2019.

21 Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Included in debtors (note 17)	**2,358**	2,020	**-**	10

The movement in the deferred taxation account during the year was

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January 2019	**2,020**	2,039	**10**	7
Profit and loss account movement arising during the year	**(416)**	44	**(10)**	3
Acquisitions through business combinations	**-**	610	**-**	-
Utilisation of tax losses	**915**	(673)	**-**	-
Changes in tax rate	**(161)**	-	**-**	-
At 31 December 2019	**2,358**	2,020	**-**	10

Expected net reversal of deferred tax assets and liabilities during 2020:

	Group £'000	Company £'000
At 31 December 2019	**2,358**	-
Profit and loss account movement arising during the year	**(270)**	-
At 31 December 2020	**2,088**	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Capital allowances in excess of depreciation	**145**	564	**-**	-
Tax losses	**2,172**	1,427	**-**	-
Short term timing differences	**41**	29	**-**	10
At 31 December	**2,358**	2,020	**-**	10

The Group recognised a net deferred tax asset of £2,358,000 (2018: £2,020,000) relating to reversal of existing differences on tangible fixed assets and corporation tax losses carried forward at 31 December 2019. Management believe that the company will generate sufficient future profits in order to support the recognition of the deferred tax asset.

Deferred tax is currently provided at 17%, following the budget announcement on 11 March 2020, the corporation rate cut, which had been expected to apply to profits after 1 April 2020, will no longer be applied. Deferred tax balances will need to be revalued at the ongoing rate of corporation tax, which is currently 19%.

The revaluation of the deferred tax balance from 17% to 19% at 31 December 2019 will Increase the value of the balance sheet deferred tax asset by £277,000 and result in a change in tax rate credit of the profit and loss account of £277,000.

22 Loans and other borrowings

	2019 £'000	2018 £'000
Finance leases	**19**	61

Finance leases:

	2019 £'000	2018 £'000
Within one year	**19**	43
Within two and five years	**-**	21
Total gross payments	**19**	64
Less: finance charges	**-**	(3)
Carrying value of liability	**19**	61

Net obligations under finance leases are secured by fixed charges against the assets they relate.

23 Called up share capital and other reserves – Group and Company

Share capital – allotted and fully paid in 2019:

	Number	Share Capital
Ordinary shares of £0.000001 each	2,504,453,310	2,504

In June 2019, the company re-designated its class of shares into one class of ordinary share of £0.000001 each. Reconciliation in movement of shares as follows:

Date	A Ordinary Shares of £0.000001 each Number	B Ordinary Shares of £0.000001 each Number	C Ordinary Shares of £0.000001 each Number	D Ordinary Shares of £0.000001 each Number	E Ordinary Shares of £0.000001 each Number	Voting Shares of £0.01 each* Number	Ordinary Shares of £0.000001 each Number	Total Number	Share Premium £
At 31 December 2018	870,625	2,243,576	718,416	502,788	570,384	250,000	-	5,155,789	1,084,896
Shares purchased	(255,899)	-	(123,385)	(48,701)	(34,755)	-	-	(462,740)	-
Shares issued	-	-	10,261	-	-	-	-	10,261	14,365
Share split	-	-	-	-	-	2,499,750,000	-	2,499,750,000	-
Share re-designated	(614,726)	(2,243,576)	(605,292)	(454,087)	(535,629)	(2,500,000,000)	2,504,453,310	-	-
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**2,504,453,310**	**2,504,453,310**	**1,099,261**

* In 2019, the voting shares of £0.01 each were split into ordinary shares of £0.000001 each

The rights attaching to the shares in 2019 are as follows:

Voting
Each holder of Ordinary Shares is entitled to receive notice of, attend or speak at and vote at all general meetings or on a written resolution. Each Ordinary Share confers the right to one vote.

Dividends
Any profits which the company may determine to distribute in respect of any financial year shall be applied amongst the holders of the Ordinary Shares equally.

Distributions of capital
On a return of capital on liquidation, winding up, reduction of capital or share buyback, the surplus assets of the company remaining after payment of its liabilities shall be applied amongst the holders of the Ordinary Shares equally.

The company purchased/(issued) its own shares during the year as follows:

Date	A Ordinary shares Number	B Ordinary shares Number	C Ordinary shares Number	D Ordinary shares Number	E Ordinary shares Number	Total consideration paid/(received) £
31 December 2018	-	-	-	34,825	30,783	34,825
28 March 2019	-	-	-	-	5,131	-
17 April 2019	-	-	-	-	4,975	-
7 May 2019	-	-	-	-	14,925	-
14 June 2019	-	-	-	-	9,724	-
18 June 2019	-	-	-	48,701	-	-
20 June 2019	255,899	-	123,385	-	-	5,636,459
Shares purchased	**255,899**	**-**	**123,385**	**48,701**	**34,755**	**5,636,459**
20 June 2019	-	-	(10,261)	-	-	(14,365)
Shares issued	**-**	**-**	**(10,261)**	**-**	**-**	**(14,365)**
20 June 2019	(255,899)	-	(113,124)	(83,526)	(65,538)	-
Shares cancelled	**(255,899)**	**-**	**(113,124)**	**(83,526)**	**(65,538)**	**-**
31 December 2019	**-**	**-**	**-**	**-**	**-**	**5,656,919**

Share capital – allotted and fully paid in 2018:

	Number	Share Capital £	Share Premium £	Total consideration paid (received) £
A Ordinary shares of £0.000001 each	**870,625**	**1**	**172,383**	**172,384**
B Ordinary shares of £0.000001 each	**2,243,576**	**2**	**600,333**	**600,335**
C Ordinary shares of £0.000001 each	**718,416**	**1**	**202,626**	**202,627**
D Ordinary shares of £0.000001 each	**502,788**	**1**	**55,719**	**55,720**
E Ordinary shares of £0.000001 each	**570,384**	**-**	**52,335**	**52,335**
Voting shares of £0.01 each	**250,000**	**2,500**	**1,500**	**4,000**
	5,155,789	**2,505**	**1,084,896**	**1,087,401**

The company has in the past granted employees free shares, the fair value of these has been estimated and no charge has been made to the statement of comprehensive income as this is deemed to be immaterial.

The share premium account contains the premium arising on issue of equity shares.

24 Share Based payments

Equity settled share option scheme
The Company has an established Unapproved Share Option Scheme under which share options have been granted to certain Directors and employees. The Scheme is an equity-settled share based payment arrangement whereby the employees are granted share options over the Company's equity instruments, specifically its Ordinary B, C and E shares of £0.000001 each.

The scheme includes non-market-based vesting conditions only, whereby the share options may be exercised from the date that they vest until the 10th anniversary of the date of the grant. There are performance based vesting conditions together with a requirement that the recipient remains in employment with the Company.

Share option activity for each of the three years ending 31 December 2019 is presented below:

	31 Dec 2019 Number of options £	31 Dec 2019 Weighted average exercise price £	31 Dec 2018 Number of options £	31 Dec 2018 Weighted average exercise price £	31 Dec 2017 Number of options £	31 Dec 2017 Weighted average exercise price £
Outstanding at start of the year	169,772	1.40	169,772	1.40	-	-
Granted during the period	-	-	-	-	169,772	1.40
Forfeited during the period	(14,502)	-	-	-	-	-
Lapsed during the period	(145,009)	-	-	-	-	-
Exercised during the period	(10,261)	-	-	-	-	-
Outstanding at end of the year	**-**	**1.40**	**169,772**	**1.40**	**169,772**	**1.40**

Weighted average remaining contractual life (in years) of options outstanding at the period end.	**-**	**8.7**	**9.7**

The estimated fair value of the share options was calculated by applying a Black-Scholes model. This model is internationally recognised as being appropriate to value employee share schemes.

The model inputs for the options granted during 2017 were as follows:

Exercise price	£1.40
Share price at date of grant	£1.40
Risk-free interest rate	0.5%
Expected volatility	29%-30%
Dividend yield	0%
Contractual life of option (years)	10

Expected volatility was based on historical volatility of comparable listed companies which may not necessarily be the actual outcome.

Share based payment expense

	2019 £'000	2018 £'000
Expense arising from share-based payment transactions	**-**	-

25 Dividends

	2019 £'000	2018 £'000
Dividends paid	**2,000**	-
Dividends payable	**-**	1,500
	2,000	1,500

A dividend of £2.0m (0.0799p per share) was declared by the board on 24 September 2019 and paid on 26 September 2019. (2018: On 18 December 2018 the Board declared a dividend of £1.5m (30.57p per share) which was paid on 22 January 2019).

26 Notes to consolidated statement of cash flows

	2019 £'000	2018 £'000
Profit for the year before exceptional items	**2,724**	7,763
Exceptional items	**(6,752)**	(1,509)
(Loss)/profit for the financial year	**(4,028)**	6,254
Adjustments for:		
Tax on (loss)/profit	**(383)**	612
Net interest expense	**320**	583
Operating (loss)/profit	**(4,091)**	7,449
Negative goodwill amortisation	**-**	(1,889)
Purchased goodwill amortisation	**1,385**	589
Amortisation of intangible fixed assets	**1,237**	1,498
Depreciation of tangible fixed assets	**2,560**	1,843
Insurance proceeds: profit on disposal of tangible fixed assets	**(580)**	-
Insurance proceeds: other	**(596)**	-
Government grants	**(256)**	(245)
Working capital movements:		
- (Increase)/decrease in stocks	**(102)**	84
- (Increase)/decrease in debtors	**(2,941)**	2,682
- Increase in payables	**18,297**	10,227
Cash from operating operations	**14,913**	22,238

Analysis of changes in net cash:	At 1 Jan 2019 £'000	Cash flows £'000	At 31 Dec 2019 £'000
Cash at bank and in hand	40,698	1,842	**42,540**

27 Pension costs

The Group operates one defined contribution pension scheme. The assets of the scheme are held separately from the company in an independently administered fund. The pension cost charges represent contributions payable by the Group to the fund and amounted to £1,763,000 (2018: £1,291,000).

There were £284,000 accrued pension contributions at 31 December 2019 (2018: £246,000).

28 Guarantees

The Group is subject to a multilateral guarantee by other Group entities. In the period the Group refinanced its supplier guarantee and borrowing facilities. The group can draw on a fully committed £75m (2018: £65m - Royal Bank of Scotland) facility provided by HSBC which includes a supplier guarantee facility of £29m. An additional £3m supplier guarantee has been provided by Whistl Group Holdings Limited. HSBC has a fixed and floating charge over the Group's asset.

29 Related party transactions

Purchases in the year and amounts due by Whistl Group Holdings Limited as at 31 December 2019 to Group related undertakings are disclosed below.

	Purchase/ recharges to Whistl Group 2019 £'000	Amounts due by Whistl Group 2019 £'000	Purchase/ recharges to Whistl Group 2018 £'000	Amounts due by Whistl Group 2018 £'000
Prime Vision B.V.	**-**	-	82	48
PostNL Data Solutions	**189**	-	-	-
Total	**189**	-	82	48

The Group has a trading relationship with Lifecycle Marketing (Mother and Baby) Limited in which Nick Wells is a Director. The revenue from transactions with the company for the year ended 31 December 2019 amounted to £1,586,000 (2018: £1,593,000) with an amount of £146,000 (2018: £144,000) due to the Group at the year-end.

The Group also has a trading relationship with P2G.Com Worldwide Limited in which James Greenbury is a director. The revenue from transactions with the company for the year ended 31 December 2019 amounted to £516,000 (2018: £334,000) with an amount of £43,000 (2018: £11,000) due to the Group at the year-end. The expenditure incurred with the company by the Group for the year ended 31 December 2019 amounted to £16,000 (2018:£11,000) with an amount of £nil (2018: £1,000) due to P2G.Com Worldwide Limited by the Group at the year-end.

All transactions were undertaken at arms' length and on normal commercial terms.

30 Financial commitments: Group

At 31 December, the Group had total future minimum lease payments under non-cancellable operating leases relating to building leases and plant & machinery, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	**10,832**	11,014
Within two and five years	**22,673**	23,155
Over five years	**8,875**	12,194
	42,380	46,363

31 Financial instruments

The Group has the following financial instruments:

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Financial assets at fair value through profit or loss		-		-
Financial assets that are debt instruments measured at amortised cost:				
- Trade debtors (note 17)	**69,630**		57,528	
- Other debtors	**631**		430	
		70,261		57,958
Financial assets that are equity instruments measured at cost less impairment.		-		-
Financial liabilities measured at amortised cost:				
- Trade creditors (note 18)	**(50,805)**		(46,563)	
- Amounts owed to Group undertakings (note 18)	**(952)**		-	
- Other loans (note 19)	**-**		(293)	
- Other creditors (note 18 & 19)	**(3,796)**		(3,930)	
- Finance leases (note 22)	**(19)**		(61)	
		(55,572)		(50,847)

The company has the following financial instruments:

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Financial assets at fair value through profit or loss		-		-
Financial assets that are debt instruments measured at amortised cost:				
- Amounts owed by Group undertakings (note 17)	**107**		3,554	
		107		3,554
Financial assets that are equity instruments measured at cost less impairment.		-		-
Financial liabilities measured at amortised cost:				
- Amount owed to Group undertakings	**(112)**		-	
- Other loans (note 19)	**-**		(293)	
		(112)		(293)

32 Business combinations

Acquisitions in 2019

On 25 May 2019, the company acquired certain trade and assets of Keymail UK Limited in relation to its international postal business. The fair value of consideration was £182k including acquisition related costs.

Management have estimated the useful life of the goodwill to be 10 years.

The following table sets out the book values of the identifiable assets and liabilities acquired by the company.

Recognised amounts of identifiable assets acquired and liabilities:

	Book Value £'000
Tangible fixed assets	12
Intangible fixed assets - software	100
Total identifiable net assets	**112**
Goodwill	70
	182
Satisfied by:	
Cash consideration	182
Deferred consideration	-
Acquisition costs	-
	182

Acquisitions in 2018
On 1 June 2018, the company acquired the entire issued share capital of Parcelhub Limited and Mail Workshop Limited. The fair value of consideration was £10.5m including acquisition related costs.

On 4 December 2018, the company acquired the entire issued share capital of Whistl Ecommerce Group Limited (formerly Spark Ecommerce Group Limited) and its wholly owned trading subsidiaries, Whistl Fulfilment (Gateshead) Limited (formerly Spark Response Limited) and Spark Etail Limited. The fair value of consideration was £5.9m including acquisition related costs.

The acquisitions have been accounted for under the acquisition method. Management have estimated the useful life of the goodwill to be 10 years.

As at 31 December 2018, deferred consideration is payable based on the EBIT calculations of the individual companies acquired for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for Parcelhub Limited and years ending 30 June 2019 and 30 June 2020 for Whistl Ecommerce Group. The total amounts payable were estimated at £2,703,000 and £402,000, based on management's expectation and future forecasts of the EBIT performance for Parcelhub Limited and Whistl Ecommerce Group Limited respectively.

Deferred consideration paid during the year, amounted to £654,000 in respect of the year ended 31 December 2018 for Parcelhub Limited and £172,000 in respect of the year ended 30 June 2019 for Whistl Ecommerce Group Limited.

As at 31 December 2019, deferred consideration is payable based on the EBIT calculations of the individual companies acquired for the years ending 31 December 2019 and 31 December 2020 for Parcelhub Limited and years ending 30 June 2020 for Whistl Ecommerce Group. The total amounts payable were estimated at £1,475,000 and £303,000 for Parcelhub Limited and Whistl Ecommerce Group Limited respectively. The amount recognised in the business combination is based on management's expectation and future forecasts of the EBIT performance for both Parcelhub Limited and Whistl Ecommerce Group Limited as at 31 December 2019.

In the year ended 31 December 2019, revenue of £19,679,000 (2018: £11,591,000) and a profit before tax of £976,000 (2018: £145,000) were included in the consolidation income statement in respect of Parcelhub Limited and Mail Workshop Limited.

In the year ended 31 December 2019, revenue of £19,791,000 (2018: £1,497,000) and a profit before tax of £1,438,000) (2018: loss £11,000) were included in the consolidation income statement in respect of Whistl Ecommerce Group.

Acquisitions in 2017
The acquisition of 76% of the shareholding of Whistl Fulfilment Limited in 2017 has been accounted for under the acquisition method. Call and put options were signed to acquire the 24% balance of the shares over two tranches, 14% and 10% respectively.

The options are as follows:

- On 31 January 2018, Whistl UK Limited exercised its option to acquire a further 14% of the issued share capital for a cash consideration of £329,000.
- On 31 January 2019, Whistl UK Limited exercised its option to acquire the remaining 10% of the issued share capital for a cash consideration of £41,000. At 31 January 2019, Whistl UK Limited had acquired the entire share capital of Whistl Fulfilment Limited.

33 Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Country of incorporation	Activity	Proportion of Ordinary shares held (%)	Immediate direct parent undertaking
Whistl Limited	UK *	Holding company	100	Whistl Group Holdings Limited
Whistl Group Limited ^	UK *	Holding company	100	Whistl Limited
Whistl UK Limited ^	UK *	Trading parent company Addressed Downstream Access	100	Whistl Group Limited
Whistl North Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Scotland Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl South West Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Midlands Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl London Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Marketing Service Group Ltd ^	UK *	Holding company - non trading	100	Whistl Group Limited
Whistl (Doordrop Media) Limited ^	UK *	Trading – Unaddressed Mail	100	Whistl Marketing Service Group Limited
Whistl Fulfilment Limited ^	UK *	Holding Company	100	Whistl UK Limited
Whistl Fulfilment (Rushden) Limited ^	UK *	Ecommerce related fulfilment	100	Whistl Fulfilment Limited
Whistl Fulfilment (Farnborough) Limited ^	UK *	Fulfilment, call contact centre and data services	100	Whistl UK Limited
Parcelhub Limited ^	UK *	Parcel and delivery solutions	100	Whistl UK Limited
Mail Workshop Limited ^	UK *	Mailing House	100	Whistl UK Limited
Whistl Ecommerce Group Ltd (formerly Spark Ecommerce Group Limited) ^	UK *	Holding Company	100	Whistl UK Limited
Whistl Fulfilment (Gateshead) Limited (formerly Spark Response Limited) ^	UK *	Ecommerce fulfilment & contact centre services	100	Whistl Ecommerce Group Ltd (formerly Spark Ecommerce Group Limited
Spark Etail Limited ^	UK *	Trading of organic and ethically sourced products	100	Whistl Ecommerce Group Ltd (formerly Spark Ecommerce Group Limited

* All the above subsidiaries are included in the consolidation, registered office at Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB

^ Entities are indirectly held

= Entity exempt from audit

34 Ultimate controlling party

On 21 June 2019, NNY91 Limited acquired the entire share capital of Whistl Group Holdings Limited and its subsidiary undertakings and became the ultimate parent and controlling party. Prior to 21 June 2019, there was no ultimate controlling party.

The largest Group of undertakings for which Group financial statements are drawn up and of which the company is a member is NNY 91 Limited. The financial statements are available from the registered office at Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB.

35 Subsequent events

Since the 2019 year-end, what was an unknown virus that had been reported to the World Health Organisation has been identified as a new form of the Coronavirus (Covid-19) and is now a global pandemic. The Group is currently benefiting from double digit percentage growth in the parcels market and in its fulfilment businesses. The core mail business initially experienced a reduction in volumes as a result of the pandemic however more recent trading has indicated a gradual recovery in volumes occurring as government restrictions start to be relaxed. We expect mail volumes in 2020 to be lower than in the previous year with a substantial recovery anticipated by the second half of 2021. The Government has declared that the Group provides essential services and hence can continue to trade. The business has continued to operate despite the disruption to staff, suppliers and customers. Various steps have been taken to mitigate the financial impact of the pandemic which are detailed within note 3.

The Directors have duly considered the impact of the pandemic on the financial performance and position of the Group and have concluded the event to be non adjusting in nature. The duration and long term impact of Covid-19, as well as the effectiveness of government support to the wider economy, remains unclear at this time. However, the Directors have stress tested the financial liquidity of the Group and are satisfied that liquidity can be maintained despite a potential prolonged recovery.

As a non-adjusting post balance sheet event any potential financial impact arising as a result of Covid-19 is not reflected in these financial statements. The Directors currently do not consider there will be any significant impact on the carrying value of current assets and liabilities held as at 31 December 2019. The carrying value of fixed assets will remain under periodic review.

Further detail relating to the impact of Covid-19 and the going concern basis is provided within the basis of preparation and going concern sections in note 3.

Glossary of terms

Agency customer – Whistl collects and sorts mail for a customer that also uses Whistl as its agent to secure a direct Downstream Access Agreement with Royal Mail

BEIS – Department for Business, Energy & Industrial Strategy

CDP – Carbon Disclosure Project

CMS – Carrier Management System

DDM – DoorDrop Media, the in-home advertising division of Whistl

Direct Access customer – Large mailers who have a direct Downstream Access agreement with Royal Mail and use a third party to collect and inject the pre-sorted mail into Royal Mail for final mile delivery

Downstream – The element of postal services that involves the final mile delivery of mail items to the recipient's address

DSA – Downstream Access allowing competitors to inject mail into Royal Mail for delivery to the household

End to End – From collection of mail through to sortation and delivery to homes or businesses

GDPR – General Data Protection Regulation

JicMAIL – Joint Industry Committee for Mail, providing audience measurement data for advertising mail and door drops

Leafletdrop – Whistl online tool to create, print and book a leaflet distribution in one place

LEAP – Whistl career and development programme

NPS – Net Promoter Score

Ofcom – Office of Communications, the Postal Regulator

ONS – Office for National Statistics

Parcelhub – Parcel delivery management company, part of the Whistl Group

Partially Addressed Mail – Royal Mail addressed advertising mail product that identifies customers using sophisticated targeting options without the use of personalised data

RIDDORS – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

Royal Mail – UK National Postal Operator

SMEs – Small and medium-sized enterprises

UKPIL – Royal Mail's UK parcels, international and letters business

Upstream – Collection of mail from a client and sorted, ready for injection into Royal Mail

Whistl around the UK

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