DX Network Services Limited

Annual report and financial statements
for the period ended 27 June 2020

Company number 05026914

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Directors and advisers

Directors
Lloyd Dunn
David Mulligan
Paul Ibbetson
Martin Illidge
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Kerensa Leatherland

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Strategic report

DX at a glance

DX Network Services Limited ('DX') is a well-established provider of a wide range of delivery services, including parcel freight, secure, courier and logistics services, to both business and residential addresses across the UK.

The Company operates through two divisions, DX Freight and DX Express.

DX Freight

DX Freight specialises in the collection and delivery of larger and heavier items, including those with irregular dimensions and weight ("IDW"), to business and residential addresses nationwide.

- **1-Man**
  DX 1-Man has the capability to move all types of freight, from document satchels and parcels to IDW items, including lengths up to six metres. Deliveries are primarily business-to-business and next-day. European and International delivery can also be accommodated.
- **2-Man & Logistics**
  2-Man services are mainly focused on delivery of high-value, larger and heavier products to residential addresses. A two-hour delivery window is offered together with delivery to the consumer's room of choice. Logistics provides a complete range of supply chain solutions for most market sectors. Warehouse and transport solutions include dedicated own-fleet management across all vehicle types, mechanical handling, delivery, storage, and customer order preparation.

DX Express

DX Express specialises in the collection and express delivery of time sensitive, mission critical and high value items for B2B and B2C customers.

- **Secure Courier**
  Offers a highly secure, next-day B2B and B2C delivery solution for mail, packets and small parcels. The operation serves a range of sectors including finance, pharmaceuticals, optical and online.
- **Document Exchange**
  Is a private, member-to-member, next-day, pre-9am mail and parcels network serving members within the legal, financial and public sectors.
- **Mail**
  A cost-effective second-class mail service, which moves postcode-addressed mail from customers through the DX network to 'final mile' delivery by Royal Mail.

Key performance indicators

	Period ended 27 June 2020	Period ended 27 June 2020	Year ended 30 June 2019
	IFRS 16	IAS 17 (Unaudited)	IAS 17
	£m	£m	£m
Revenue (£m)	317.2	317.2	310.5
EBITDA (£m)	19.8	(0.5)	(1.3)
EBITDA margin (%)	6.2	(0.2)	(0.4)

The Company uses alternative performance measures ("APMs") to measure performance. These APMs are applied consistently from one period to the next and the Directors believe that this information is important for the stakeholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. The Company presents EBITDA which is calculated as the statutory measure (operating profit/(loss)) before depreciation, amortisation, exceptional items and share-based payments charge.

Review of the business

It has been another year of substantial progress. This has been built on the structural and cultural changes we put in place over the past two years, which centred on devolving responsibility and accountability to depots and service centres, and establishing more disciplined commercial processes. Those changes have helped to make us operationally and commercially much stronger, underpinning the year's performance. We are growing in confidence and having delivered a near breakeven on EBITDA, we now bring our focus to growing revenue and expanding margins in the next phase of the turnaround. The Company remains well-positioned to deliver further progress over the new financial year and we continue to be confident of meeting both the short and long-term goals we have set ourselves. Further details of the turnaround plans are described in the DX Group's 2020 Interim Results and Annual Report and Accounts available at https:// investors.Dxdelivery.com/websites/dxgroup/ English /4030/results-and-presentations.html

Results for the 12 months ended 27 June 2020 are on a comparative IAS 17 basis unless stated otherwise.

The Company's revenue for the period to 27 June 2020 increased by 2% to £317.2 million (2019: £310.5 million). The Company's underlying loss reduced substantially with EBITDA showing a loss of £0.5 million (2019: loss of £1.3 million). The improvement in EBITDA mainly reflected the major improvement in the performance of the DX Freight division where the EBITDA loss reduced by 85%, helped by the expansion of the division's 1-Man service and the improving performance across the division. The ongoing turnaround of this division remains a core focus.

Coronavirus Response

The impact of the UK lockdown was initially significant, with revenue falling by around a third in a very short period of time. The swift and decisive action from teams across the business meant we quickly made locations safe to operate under the legal frameworks and guidance provided by the Government. We undertook risk assessments of those processes that were impacted and rapidly developed safe delivery protocols and implemented safe methods of working in both our warehouse and office environments, enabling us to remain operational.

With the initial fall in demand we faced challenges to flex the cost base. We switched resources to busier areas of the business, where we saw an uptick in demand for B2C delivery services.

In addition, we made use of the Government's Coronavirus Job Retention Scheme ("CJRS") and furloughed approximately 25% of our employees. Jobs have been protected by the CJRS and affected employees returned to the business between late April and August in line with recovering volumes, and the vast majority are now back working in the business. The steady recovery meant that we were able to trade profitably through the lockdown period, and, by early summer, overall volumes were back to pre-coronavirus levels, led by DX Freight and followed by DX Express. Volumes have since exceeded those expected pre-lockdown.

As well as our operational response to the coronavirus we also took steps to protect and preserve our cash resources. We made use of the Government's VAT payment deferral scheme, which deferred around £8.4 million of payments. We also agreed a three month payment holiday totalling £2.0 million with certain suppliers. Finally, the senior managers and Directors across the Group sacrificed 20% of their salary for a short period, which helped support the business through this turbulent time.

The coronavirus has affected us all but some more than others and we pay tribute to those in the DX family who were badly affected.

Employee matters

Across our culturally diverse workforce, we aim to create an environment where all our employees feel appreciated, recognised and valued.

Adhering to our obligations under the Equality Act 2010, including Gender Pay Gap reporting, is a fundamental requirement, however we strive to go beyond this. We have policies and proactive programmes in place for recruitment, career development and promotion that are based solely on the ability and performance of the individual, whilst also aligning to the needs of the Company.

Apprenticeship and bespoke in-house programmes are available to all our employees. These focus on enhancing existing skill sets within current roles; as well as developing new skills for future roles. Our induction programme also ensures that all our new employees understand our full product range as well as the Company's vision. Since March 2020, we have successfully worked with our training partners and in-house team to establish new and innovative ways of continuing to deliver both existing training programmes as well as those necessary to support our managers and employees in handling the challenges of lockdown.

All employees are offered a competitive benefits package, including a provision for death-in-service payments and access to counselling and advice services. There are a number of voluntary benefits, including healthcare plans and gym discounts, which support employee welfare and wellbeing. A variety of pension schemes are provided that meet our auto-enrolment obligations as well as supporting our employees to plan for their financial future.

We encourage an interest in activities at all levels and seek to receive and consider the views of employees across a wide range of matters. This aim is promoted through local, regional and Company-wide initiatives. These initiatives ensure two-way communication and employee involvement, and include access to the Operating Board to report and discuss any issues. Regular news bulletins are distributed throughout the Company and a bi-annual magazine is produced with a mixture of business and employee news. Senior management also attend regular calls, meetings and conferences to ensure cohesive engagement throughout the Company, and to raise awareness of the financial and economic factors affecting the Company's performance.

During the coronavirus pandemic the primary and most valued, based on employee feedback, communication channel with our employees (both in work and furloughed) was through regular two-way communication with the Company's Directors. This predominantly took the form of personal emails and individual question and answer sessions, available on request. All managers were also expected to contact (ideally by telephone) all furloughed employees at least weekly (or such longer period as the furloughed employee felt was more suitable) to discuss any concerns and to seek to ensure their wellbeing during the period of furlough.

Environmental matters

We recognise the significant impact that logistics companies have on the environment and as a consequence the Company remains committed to minimising our own impacts and sharing our progress in a simple and transparent way.

The Company maintains UKAS certification to the international environmental management standard ISO14001 which continues to underpin our approach to setting objectives and targets for improvement against our significant environmental aspects. Our certification is now mature, having been initially implemented in 2016, and is an effective way to benchmark our performance consistently.

The Company maintains an annual environmental reporting campaign which measures our Scope 2 Carbon Footprint in CO2(e) – carbon dioxide equivalent. We measure at Scope 2, using the GHG Protocol as a framework, being the boundary that we are able to directly influence, measure and control more effectively as this includes consumption of fuels for our own delivery vehicles as well as indirect emissions from our own energy use.

	2019	**2020**	**% Change**
CO_2 emissions (tonnes)	27,338	**33,358**	**22%**

It should be noted that our two operating divisions use very different business models, with our DX Freight division utilising predominantly DX vehicles and drivers and our DX Express division using predominantly self-employed couriers and subcontractors to deliver goods. As a consequence, our Scope 2 measurements encapsulate our own vehicles and are therefore heavily influenced by DX Freight's performance. Scope 3 vehicle emissions of self-employed couriers and subcontractors for DX Express do not form part of our formal reporting.

Our Scope 2 Carbon Footprint comprises of emissions from customer deliveries, company cars, electricity use and gas use. The impact of customer deliveries accounts for around 90% of our carbon footprint.

The commercial growth within the Group's DX Freight division and the practical impact of increased volume of deliveries alongside increased property footprint to accommodate that volume, has led to an overall increase in emissions and our associated carbon footprint. Compared to the previous year, our absolute carbon footprint increased by 6,020 tonnes, representing a 22% increase, and our intensity ratio of CO2(e) per £1m revenue increased by 19%.

We strive, through new technologies to improve efficiency, optimisation of routes to reduce physical mileage and driver training and engagement to continue to improve our performance.

S172 Statement

The Directors are required by law (s172 of the Companies Act 2006) to act in a way which promotes the success of the Company for the benefit of its shareholders as a whole. In doing so the Board must also have regard to other factors (the "s172 Matters")

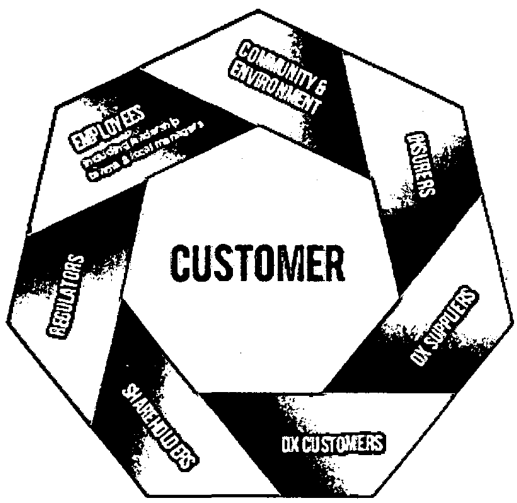
This is the Company's first s172 Statement. Here we summarise our activities, explain how the Company has considered the s172 Matters and engaged in constructive dialogue with employees, suppliers, customers and others; and has had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that consideration, including on the principal decisions taken by the Company during the financial year. We also signpost where more detail can be found on the s172 matters in this Annual Report and Accounts.

The Directors are satisfied that they have complied with these requirements.

This illustration of the Company's approach to the s172 matters, which identifies our stakeholders, outlines the Company's Customer Centric Approach to health and safety.

We recognise that our seven stakeholders have different needs so the approach tries to balance those needs by treating each stakeholder as a customer.

We design systems and processes to genuinely support stakeholder needs in a balanced way.



Customer Centric Approach to Safety
We believe that health and safety should have a clear purpose – to reduce risks. This is why risk assessment is the driving factor behind our approach. In practical terms, we only introduce a process if it is directly and clearly linked to an operational risk.

For any safety process to be effective, it's essential that it engages people. Good health and safety relies on engagement. We want to create a culture of openness where safety is seen as a benefit and an intrinsic part of the business and its commercial success, not a separate audit and policing function aligned exclusively to regulation.

Customer centric safety recognises that each stakeholder has a different need and that by treating each stakeholder as a genuine customer we are more likely to achieve sustainable engagement, which ultimately reduce risks.

When designing any safety process, the challenge is to try to meet the needs of all key stakeholders involved in that process and strike the right balance. Customer centricity is about understanding stakeholder needs and making sure that we always ask the question when doing something new – who are the stakeholders - what's the best solution we can design?

For example, this year we launched our 'Take 5' campaign using customer centric principles. This is a behavioural programme with the aim of engaging colleagues to avoid five acts that could help to avoid a serious accident. The campaign is very simple and a visual reminder of what we can all do to reduce risks

The likely consequences of any decision in the long term
The Directors understand the business and the evolving environment in which we operate, including the recent challenge presented by coronavirus and the risk of a second wave or of future pandemics. Based on the Company's Mission and with the first phase of the turnaround complete, the strategy set by the Board is intended to strengthen our position as a leading freight and courier business, while keeping safety and social responsibility fundamental to our business approach.

Collect it, sort it, trunk it, deliver it, prove it, bill it.

Our mission is to make every conceivable effort to get our customers' deliveries to their final destination in accordance with the promised service level and with the greatest of care. So what we are really saying is "If you want to be sure it'll get there on time, every time, we are DX – Delivered Exactly"

The interests of the company's employees
Our employees are interested in subjects such as opportunities for development and progression, working arrangements (especially as a result of the coronavirus pandemic), opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. Our leadership team is approachable and has regular visits at depots, service centres and other sites. Our engagement with our employees is discussed in more detail in the Employee matters section of our Strategic Report on page 4.

The need to foster and manage the company's business relationships with its suppliers, customers and other stakeholders
We and our business partners are interested in long-term partnerships and a collaborative approach. Our engagement with our suppliers, customers and other stakeholders is critical.
We are experts in the next-day delivery of goods that are time-sensitive, mission-critical, valuable, or classed as irregular dimension and weight ("IDW").
We handle most sizes of freight, from small documents to bulky white goods, and deliver to business and residential addresses across the UK and Ireland. Our customers cover a wide range of industry sectors, including legal, financial and governmental, optical, medical and pharmaceutical, as well as automotive and retail.
Each customer typically has different requirements, and we have the ability to be flexible and adaptable in order to ensure that items are 'Delivered Exactly'. Every customer can depend on our long-standing commitment to reliability, quality and value. We understand that in meeting our commitments, we are enabling our customers to meet theirs.
In Delivering Exactly, we aim to provide:

Great Service
We strive to deliver every item first time, every time with the greatest of care. Our focus on high levels of first-time delivery ensures that our customers receive market-leading service for their mail, packets, parcels and pallets. We aim to go out of our way to provide customers with dedicated and responsive support, giving them total peace of mind.

Industry-leading Security
We look after customers' parcels as if they were our own, giving our customers confidence that their parcels will arrive safely and securely. We have an industry-leading vetting process, giving our customers additional security reassurance.

Customer Choice
We offer a wide range of services delivering to both consumers and businesses, built to meet the needs of our customers. Whatever our customers' consignment shape or size, whether it is a small letter, a large item requiring a 2-Man delivery, or a pallet of motor parts, we have the solutions to meet customers' demands.

'The Extra Mile'
We pride ourselves in going 'the extra mile' with our localised customer service rather than distant central call centres. This differentiator enables us to develop strong trusted relationships with customers.
We are continuously looking for ways to improve our customer proposition and, over the year, have been pleased to see our Trustpilot rating move to 'Great'. It is a rating we aim to keep or beat.

The impact of the company's operations on the community and the environment
Our commitment to address matters of concern in the communities in which we operate and the wider environmental concerns is discussed in more detail in the Environmental matters section of the Strategic Report on page 5.

The desirability of the company maintaining a reputation for high standards of business conduct
Our reputation is vital to our continued success and our approach to business conduct is identified in our Mission and Approach.

From the perspective of the Directors, as a result of the Group governance structure, whereby two of the Company's directors are also the Group executive directors and the other four Company directors are senior managers in the Group, and the Company being the largest UK subsidiary in the Group, the matters that the Directors are responsible for considering under Corporate Governance have been considered to an appropriate extent by the Group Board in relation to both the Group and the Company. Therefore the discussions below relating to the high standards of business conduct are examples of how the Group board govern the Company.

Independence
The actions and decisions of all the Non-executive Directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgement. The three Non-executive Directors provide a balance between the Executive and independent Directors.

Role of the board
The Board meets regularly with the aim of restoring the Company to long-term growth and profitability. Directors are supplied with a comprehensive Board pack before all Board meetings, which includes the agenda, previous minutes, detailed financial information and all other supporting papers necessary to have a fully informed discussion. The Board ensures that the necessary changes are being affected and investment being made to achieve DX's strategic priorities.

A full copy of the schedule of matters reserved for the Board is available on www.dxdelivery.com.

Day-to-day operational and financial management is delegated to DX's Operating Board. The Operating Board meets bi-monthly and provides the Board with detailed monthly reports.

Internal controls and risk management
DX has in place a system of internal financial controls commensurate with its current size and activities.

The Board has overall responsibility for DX's system of internal control to safeguard the Company's assets and shareholders' interests. The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy and growth plan, and ensure that appropriate policies and procedures are in place to minimise these risks to the Group, including the establishment of appropriate business continuity planning arrangements. The Company maintains a risk management register which is reviewed and discussed every six months with the Operating Board and the Chairman of the Audit & Risk Committee.

The Board has reviewed the effectiveness of the system of internal control for the period ended 27 June 2020 and up to the date of the signing of the Annual Report and Accounts. The Board will continue to develop and implement internal control procedures appropriate to DX's activities and scale.

The Board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the Board. This includes monthly management accounts, functional reports and an annual planning and budgeting system. The financial reporting system compares results against budget and against the prior year, and the Board reviews its forecasts for the financial year on a regular basis.

The Board has established a formal policy of authorisation setting out matters which require its approval, and certain authorities which are delegated to the Executive Directors and members of the Operating Board.

The need to act fairly as between members of the company
Critical to delivery of growth of the business is ensuring we have the right culture in the business. At the heart of the plan is local responsibility and accountability for the performance of each depot and service centre, and a commitment to deliver the changes to the business to return it to longer-term, sustainable profitability. The Board and senior management help to support and reinforce this culture through their own personal behaviour and commitment, by being highly visible in the business, by making timely and informed decisions and by adopting an attitude of continuous improvement.

Our approach to remuneration aligns the interest of the Executive Directors with that of the shareholders. Our approach is to attract and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors, we offer them a basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving year-on-year targets and longer-term incentives through the Performance Share Plan introduced in December 2017 in order to create and protect long-term shareholder value.

The Group's Annual Report and Accounts can be found here:
https://investors.dxdelivery.com/websites/dxgroup/English/4030/results-and-presentations.html

Principal risks and uncertainties

The Board recognises that the risks faced by the Company change and it regularly assesses risks in order to manage and mitigate any impact.

The Board has identified the following risks as the primary risks to the Company's successful performance:

RISK	*IMPACT*	*MITIGATION*
MARKET RISK		
LETTER AND PARCEL VOLUMES IN THE UK	The market for letters is in structural decline which in particular affects the DX Exchange service. If the decline of letter volumes in the UK is at a faster rate than forecast or the growth in parcel volumes is lower than DX forecasts (or DX fails to maintain or increase its share of the parcel markets in which it operates), there may be a material adverse effect on DX's operations and future financial condition. Risks from a hard Brexit or a pandemic relate to the potential impact on our customers' business and general business confidence.	DX seeks to win business in new sectors and develop new services, recognising the general move to digital and electronic alternatives.
PRICE RISK		
THE PARCEL MARKET IN WHICH DX OPERATES IS HIGHLY COMPETITIVE	The parcels market is highly competitive and DX may be adversely affected by aggressive pricing strategies	DX seeks to provide high levels of customer service at prices that offer customers best value. It also seeks to maintain strong relationships with major customers and develop new service attributes, such as real-time delivery vehicle tracking, in response to customer needs.

OPERATIONAL RISKS

IT SYSTEMS ARE CRITICAL TO DX'S BUSINESS OPERATIONS	Any material failure in DX's IT applications, systems, certain key suppliers and infrastructure may lead to operational and systems disruptions, with an adverse effect on DX's operations, financial condition and future prospects. While its software is being updated, DX's operational effectiveness could be impaired if its existing bespoke software failed.	DX has a business continuity plan in the event of IT systems failure and ongoing investment is being made to continuously enhance its capability. Further protections are in place to protect DX's systems against attacks. These protections are to a level acceptable to government departments. Prior to new systems going live, DX conducts significant testing in non-live environments.
CONFIDENTIAL AND SENSITIVE ITEMS	DX Express collects, sorts and delivers a range of confidential and sensitive letters and parcels for a variety of customers, including government departments, local authorities and examination boards. If confidential consignments were to be misplaced the reputation and brand of DX may be adversely affected. If a high-profile incident of this nature arose, existing or potential customers may be unwilling to use DX for the delivery of confidential or sensitive items.	All DX Express staff are fully vetted. All parcels processed through our secure network are tracked from end to end.
DRIVER CERTIFICATE OF PROFESSIONAL COMPETENCE ("CPC")	The DX network requires the use of 7.5 tonne vehicles which must be driven by CPC-qualified drivers. A shortage of such drivers would impact the ability of DX to operate its network and this could have a material adverse effect on DX's results of operations, financial condition and prospects	DX has resources specifically focused on recruiting suitably qualified drivers and the current level of vacancies is not impeding the business' ability to operate.
DELIVERY OF NEW BUSINESS	Having successfully implemented its turnaround strategy, DX is aiming to secure significant new business to utilise capacity in its networks in order to grow revenue and margins to help return the Group to sustainable profitability. If core parts of this plan are not successfully delivered it would put a strain on DX's financing arrangements, which could result in liquidity risk and the need to raise additional funds.	DX has invested in an experienced management and operational team to deliver the strategy, has robust measures in place to track the day-to-day performance of the business and reports regularly against key initiatives.
A COVID 19 SECOND WAVE AND/OR ANOTHER PANDEMIC	DX adapted very quickly to the challenges of COVID 19 and the Government's lockdown, but both the risk to employees and others from a pandemic and the constraints introduced by any form of lockdown or restriction on business activities needs to be planned for, monitored and reacted to as this risk impacts on other risk areas.	DX has learned from the experience of COVID 19 how to flex its operational capacity to meet increased demand in certain areas and reduced demand elsewhere as well as how to manage health & safety effectively (as noted elsewhere in this risk management summary).

LIQUIDITY RISK

CERTAIN DX CONSULTANTS AND AGENCY WORKERS COULD BE DEEMED TO BE EMPLOYEES OF DX	DX uses a large number of consultants, individual sub-contractors and agency workers. In the event of any legal claim as to worker status, DX could be liable for increased costs (such as National Insurance contributions) and liabilities (such as employee rights), which could have an adverse effect on its financial condition.	DX puts appropriate contractual and operational arrangements in place. DX continues to monitor cases to ensure that it maintains compliance with legislation.

COMPLIANCE RISK

STANDARDS AND REGULATORY COMPLIANCE	DX holds several standards and regulatory accreditations including ISO 27001 Information Security Management and Cyber Essentials Plus. Maintenance of these standards is required to be able to provide services to public sector bodies and other key markets. If DX were to lose these accreditations it would put major contracts at risk and jeopardise existing and future revenues.	DX trains staff in accordance with these standards and performs internal assessments to ensure the required processes and standards are maintained. DX is also subject to external audits of our compliance with these standards.
	Fleet compliance is central to meeting our O Licence obligations, which allows DX to operate its delivery and trunking fleet. Loss of O Licences would significantly impact DX's ability to operate.	Regular maintenance and inspection of vehicles and audit of compliance with regulations.
	The safety of our employees, agency labour and suppliers is of paramount importance. Compliance with regulations and development of a positive health and safety culture is key to achieving this. There is a risk of serious injury or fatality if safe practices are not adhered to.	Regular risk reviews of operations, a dedicated team of safety professionals, and targeted training seeks to engage employees to work safely and avoid injury. We also have spent money on appropriate measures to protect our employees to ensure they are able to operate safely and in line with Government guidance and regulations in the light of the COVID-19 pandemic

By order of the board

David Mulligan
Director

6 October 2020

Directors' report

The directors present their report and the audited financial statements for the period ended 27 June 2020.

Principal activity

The company's principal activity is the provision of delivery solutions, including parcel freight, secure, courier and logistics services.

Results and dividends

Results for the 12 months ended 27 June 2020 are on a comparative IAS 17 basis unless stated otherwise.

Earnings for the year before interest, tax, depreciation, amortisation exceptional items and share-based payments charge were a loss of £0.5 million (2019: £1.3 million loss).

The profit for the financial year after taxation was £1.7 million (IFRS 16: £0.1 million) (2019: Profit of £62.2 million), after an exceptional net credit of £nil (2019: £63.4 million credit, relating to the reversal of previously impaired group loans).

The company did not declare a dividend during the period (2019: £63.3 million).

Brexit

The Directors have continued to discuss the implications of Brexit and keeps developments under review. It has assessed the potential Brexit scenarios on existing contracts, workforce, supply chain, and on the regulatory environment. We continue to believe Brexit risks have a more indirect impact on DX rather than direct for the following reasons.

- DX is predominantly a UK-based delivery network;
- Freight and parcels moving between the Company's operations in the UK and the Republic of Ireland could be disrupted but this represents about 1% of the Company's revenue;
- We have considered the knock-on impact to highways of vehicle delays at UK ports, and are satisfied that this will have little impact on our collection, delivery and trunking activities;
- Our supply chain is not reliant upon time-sensitive or critical imports;
- DX does employ foreign-national employees but these tend to be long-serving (and not seasonal) so the short-term risk of changes is not considered high;
- Our standard terms of trade allow for some cost pressures such as fuel to be passed onto our customers;
- The imposition of tariffs may affect the cost of procuring certain goods, such as vehicles, but we expect any such increases would be reflected in the prices charged to our customers and we believe we are not at any specific disadvantage compared with our competitors; and
- The risk to the wider economy from the general level of uncertainty is more likely to have an impact on our customers. This could result in lower volumes and revenue and could prolong the turnaround of the business.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate as they are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The directors have prepared cash flow forecasts for a period from the date of approval of these financial statements to the year ended 1 July 2023, comprising a base case and a severe but plausible downside to assess how any second wave of the coronavirus could impact the Company. These indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its invoice discounting facility with a rolling three month notice period, to meet its liabilities as they fall due for that period. While the invoice discounting facility is cancellable by either party on a three month notice period, the directors are confident that it will remain available throughout the forecast period. See note 14 for further information on the Company's borrowing facilities.

Share capital

Details of the company's share capital are shown in note 18 to the financial statements.

Directors

The directors at the end of the financial year were as follows:
Lloyd Dunn
David Mulligan
Paul Ibbetson
Martin Illidge
Michael Sherry
Kerensa Leatherland

There were no changes subsequent to the year end.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG LLP will continue in office.

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' and officers' insurance and indemnities

The Company maintains appropriate directors' and officers' liability insurance for the benefit of the directors.

Approved by the board of directors on 6 October 2020 and signed on its behalf by:

David Mulligan
Director

Registered in England and Wales No. 05026914

Independent auditor's report
to the members of DX Network Services Limited

Opinion

We have audited the financial statements of DX Network Services Limited ("the company") for the year ended 30 June 2020 which comprise the Balance Sheet, the Profit and Loss account and other Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Independent auditor's report
to the members of DX Network Services Limited

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Two Forbury Place
33 Forbury Road
Reading
RG1 3AD
7 October 2020

Profit and loss account and other comprehensive income for the period ended 27 June 2020

	Notes	Period ended[1] 27 June 2020 £m	Year ended 30 June 2019 £m
Revenue	5	**317.2**	**310.5**
Operating costs:			
Before exceptional items		(317.9)	(315.1)
Exceptional items (net)	4	-	63.4
Operating costs	2	**(317.9)**	**(251.7)**
Operating (loss)/profit		**(0.7)**	**58.8**
Interest receivable and similar income	6	5.2	4.4
Interest payable and similar expenses	6	(4.4)	(0.6)
Profit before tax		**0.1**	**62.6**
Tax	7	-	(0.4)
Profit for the year		**0.1**	**62.2**
Other comprehensive income		-	-
Total comprehensive income for the year		**0.1**	**62.2**

All results are derived from continuing operations.

[1]IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 23 to the financial statements.

The notes on pages 20 to 39 form part of these financial statements.

Balance sheet
as at 27 June 2020

	Notes	Period ended[1] 27 June 2020 £m	Year ended 20 June 2019 £m
Non-current assets:			
Intangible assets	8	3.5	3.5
Property, plant and equipment	9	10.4	9.7
Investments	10	27.3	27.3
Right-of-use assets	12	79.3	-
Deferred tax assets	13	2.2	2.3
Total non-current assets		**122.7**	**42.8**
Current assets:			
Debtors	11	33.7	42.8
Cash and cash equivalents		11.0	1.3
Total current assets		**44.7**	**44.1**
Current liabilities:			
Creditors: amounts falling due within one year	14	(57.6)	(58.5)
Lease liability	16	(15.6)	-
Provisions	17	(1.4)	(1.0)
Total current liabilities		**(74.6)**	**(59.5)**
Net current liabilities		**(29.9)**	**(15.4)**
Total assets less current liabilities		**92.8**	**27.4**
Non-current liabilities:			
Creditors: amounts falling due after more than one year	15	(1.3)	(3.5)
Lease liability	16	(67.5)	-
Provisions	17	(5.0)	(5.0)
Total non-current liabilities		**(73.8)**	**(8.5)**
Net assets		**19.0**	**18.9**
Capital and reserves:			
Share capital	18	1.0	1.0
Profit and loss account		18.0	17.9
Shareholder's funds		**19.0**	**18.9**

[1]IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 23 to the financial statements.

The financial statements of DX Network Services Limited, registered number 05026914, were approved and authorised for issue by the board of directors on 6 October 2020 and signed on its behalf by:

David Mulligan
Director

The notes on pages 20 to 39 form part of these financial statements.

Statement of changes in equity
for the period ended 27 June 2020

	Share capital £m	Profit and loss account £m	Total £m
At 30 June 2018	1.0	19.0	20.0
Profit for the year	-	62.2	62.2
Dividends paid	-	(63.3)	(63.3)
At 30 June 2019[1]	**1.0**	**17.9**	**18.9**
Profit for the year	-	0.1	0.1
At 27 June 2020	**1.0**	**18.0**	**19.0**

[1]IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 23 to the financial statements.

The notes on pages 20 to 39 form part of these financial statements.

1 Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Basis of accounting
DX Network Services Limited (the "Company") is a private company incorporated and domiciled in England and Wales.

From 1 July 2019, the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis which better reflects its cost base and operations. These financial statements were prepared for the period 1 July 2019 to 27 June 2020. Future years will be for either 52 weeks or occasionally 53 weeks in order to keep the year-end date as close as possible to 30 June. The Company has opted to apply Section 390 (3) of the Companies Act 2006. This permits the Company to end its financial year on 27 June 2020 (2019: 30 June 2019) as it is not more than 7 days after or before the end of the year dated 30 June 2020 (2019: 30 June 2019).

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The Company's ultimate parent undertaking, DX (Group) plc, includes the Company in its consolidated financial statements. The consolidated financial statements of DX (Group) plc are prepared in accordance with International Financial Reporting Standards (as adopted by the EU) and are available to the public and may be obtained from Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with the ultimate parent Company and wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.
- The maturity analysis of lease liabilities, as required by paragraph 58 of IFRS 16 Leases, has not been disclosed separately as details of indebtedness required by Companies Act has been presented separately for lease liabilities in note 16.

1 Significant accounting policies (continued)

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

Measurement convention
The financial statements are prepared on the historical cost basis.

The financial information is presented in sterling and, unless otherwise stated, has been rounded to the nearest £0.1 million.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate as they are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The directors have prepared cash flow forecasts for a period from the date of approval of these financial statements to the year ended 1 July 2023, comprising a base case and a severe but plausible downside to assess how any second wave of the coronavirus could impact the Company. These indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its invoice discounting facility with a rolling three month notice period, to meet its liabilities as they fall due for that period. While the invoice discounting facility is cancellable by either party on a three month notice period, the directors are confident that it will remain available throughout the forecast period. See note 14 for further information on the Company's borrowing facilities.

The base case assumes that there is no national lockdown and that trading continues to track performance achieved by the Company pre-Covid-19 and the Company achieves the expected levels of new business and overall performance. Within the base case there are contingencies to allow for a shortfall to the expected level of performance. The severe but plausible downside case assumes that the impact of any second wave will be similar to the first in terms of length and severity but a repeat of the Government's Coronavirus Job Retention Scheme would not be available. We have assumed that Company revenue will reduce by £11m and EBITDA by £6m compared with the budgeted levels of performance in the third quarter of the current financial year. It also assumes that steps would be taken to protect the Company's financial position such as deferring capital expenditure, significantly reducing areas of expenditure such as use of subcontractors and travel and accommodation costs and to agree deferral of payments with suppliers as necessary. In both scenarios, the Company has sufficient liquidity and adequate headroom within its existing IDF facilities and will not need to renegotiate the terms of the IDF. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

1 Significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis:

Land	Nil
Freehold buildings	2 – 2.5%
Short leasehold properties	4 – 20%
Plant and machinery	10 – 33%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Investments
Shares in, and loans to, other group companies are valued at cost less any provision for impairment.

Intangible assets
(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets
Other intangible assets are stated at historic purchase cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to implementing the expenditure for its intended use. Third party and internal development costs are capitalised when the relevant criteria are met.

Amortisation is provided at the following annual rates in order to write off each asset on a systematic basis.

Goodwill	Nil
Software and development costs	20 – 33%
Acquired intangibles	20 – 50%

Impairment of non-financial assets
Non-financial assets that have an indefinite life, such as goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account when the asset's carrying value exceeds its recoverable amount. Its recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("the CODM"). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

1 Significant accounting policies (continued)

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

(a) Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

(c) Loans and borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

(d) Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment of financial assets (including trade and other debtors)
The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, where provision calculations are based on historic credit losses. This approach is applied unless there are specific circumstances indicating the necessity for a specific provision. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that a specific provision is required.

Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue
Revenue represents the value of sales, apportioned over the period to which it relates after excluding trade discounts, value added tax and similar sales-related taxes.

DX Exchange subscription income, which is invoiced in advance based on an expected level of usage, is deferred and recognised as revenue over the period of time in which the related performance obligation is satisfied. Deferred subscription income is included in the statement of financial position as deferred income within current liabilities. Additional charges are raised when usage is significantly higher than expected.

Revenue in respect of all other services (1-Man, 2-Man/Logistics, Secure/Courier and DX Mail) is recognised at a point in time, on delivery of the service to which it relates, thus satisfying the respective performance obligation.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case the tax is also recognised directly in other comprehensive income or in equity.

1 Significant accounting policies (continued)

(a) Current taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred taxation

Deferred tax is recognised using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that the temporary differences and brought-forward taxable losses can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

Pension costs

The Company is a member of a group defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either creditors or debtors in the balance sheet.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in shareholder's funds, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Government grants

The Company recognises an unconditional government grant related to payroll costs in the statement of comprehensive income as other operating income within operating costs (see note 2) when the grant becomes receivable. Grants that compensate the Company for expenses incurred are recognised in the Income Statement on a systematic basis in the periods in which the expenses are recognised.

1 Significant accounting policies (continued)

Leases
The Company has adopted IFRS 16 'Leases' from 1 July 2019. IFRS 16 introduced a single, 'on balance sheet' accounting model for lessees. As a result, the Company has recognised right-of-use assets (representing its right to use the underlying assets) and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment at 1 July 2019 with no restatement of comparative information. Comparative information continues to be reported under IAS 17 and related interpretations. Details of the adoption of IFRS 16 are provided in note 23.

The Company has taken advantage of the amendment to IFRS 16 issued in May 2020 'Covid-19-Related Rent Concessions'. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. There is no material impact on the loss for the period as a result of this amendment.

Under IAS 17 leases were classified as finance leases when the terms of the lease transferred substantially all the risks and rewards of ownership to the Company. All other leases were classified as operating leases. For property leases, the land and building elements were treated separately to determine the appropriate lease classification.

Assets leased under operating leases were not recorded in the statement of financial position. Rental payments were charged directly to the statement of comprehensive income on a straight-line basis.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. All translation differences are dealt with in the profit and loss account.

Exceptional items
From time to time, the Company treats certain items which are considered to be one-off and not representative of the underlying trading of the Company as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Company's financial performance.

Critical accounting estimates and assumptions
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 circumstances.

The Company makes certain estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are considered to relate to:

1 Significant accounting policies (continued)

Critical accounting estimate: Leases
In determining the lease liability in accordance with IFRS 16, the incremental borrowing rate was estimated by management using the risk free rate for differing tenors, adjusted for the Company's risk premium determined with reference to its borrowing rate on the invoice discounting facility, and an asset specific adjustment relating to asset class. There is also judgement when determining the length of the lease to be used in calculating the value of the right-of-use asset and the lease liability based on management's view as to whether a lease break clause will be exercised or not.

The lease liability at 27 June 2020 was £83.1 million. A 1% change in the discount rate would lead to a reduction in the lease liability of £2.5 million.

Critical accounting estimate: Provisions
The Company makes provisions to meet the cost of future property and vehicle dilapidations at the end of a lease. The Company provides for property provisions on a site by site basis due to the unique nature and location of each site. Provision is made for the best estimate of the expected dilapidations. Dilapidations are provided for specific individual properties and vehicle leases where the outflow of resources is probable and the amount of the obligation can be reliably estimated.

The amount provided for property dilapidations at 27 June 2020 was £3.6 million (2019: £3.1 million) and represents management's best estimate for amounts that could be payable for leased properties at the end of the lease term. A 10% increase in the estimation of a property's dilapidation costs would lead to a £0.4 million increase in the provision as at 27 June 2020.

The amount provided for vehicle dilapidations at 27 June 2020 was £1.6m (2019: £nil) and represents management's best estimate for amounts that could be payable for leased vehicles at the end of the lease term. The amount has increased in the year after experiencing an increase in vehicle dilapidation costs in the period. A 10% increase in the estimation of a vehicles' repair cost would lead to a £0.2 million increase in the provision as at 27 June 2020.

Financial risk factors
The Company's activities expose it to a variety of financial risks and are dealt with on a Group-wide basis. These financial risks include market risk (principally interest rate risk), credit risk and liquidity risk. The policy for each of the above risks is described in more detail below.

(a) Market risk
The Company finances its operations through a mixture of equity capital and invoice discount facilities ("IDF"). The Company's interest rate risk arises from its IDF under which lending is issued at variable rates, which therefore expose the Company to cash flow interest rate risk. As the Company only has short-term borrowings, it is able to minimise its exposure to cash flow interest risk by managing levels of debt on a daily basis.

The Company is exposed to a negligible element of foreign exchange risk, with only a limited number of supplies from abroad and the majority of sales made in the UK.

(b) Credit risk
The Company's principal current assets are cash deposits, cash and accounts receivable. The credit risk associated with cash is limited. The principal credit risk arises from non-recovery of trade receivables. In order to manage credit risk, limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

1 Significant accounting policies (continued)

(c) Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short-term flexibility is achieved by the use of the IDF.

New accounting standards

The Company has adopted IFRS 16 'Leases' from 1 July 2019. IFRS 16 became effective in the year and has had a material impact on the financial statements of the Company. The impact of adoption of this standard and the key changes to the accounting policies are disclosed above and in Note 23 to the financial statements. IFRS 16 removes the distinction between operating and finance leases. The adoption of IFRS 16 resulted in the recognition on the balance sheet of assets and liabilities relating to leases which are currently being accounted for as operating leases. In addition, there was an increase in both finance costs and depreciation, whilst a reduction in other operating costs. A right of use asset and a corresponding liability are recognised for all leases except for short-term leases and leases of low value assets.

2 Operating costs

	2020 £m	2019 £m
Other external charges	201.1	196.3
Staff costs – see note 3	98.4	91.1
Depreciation	19.9	2.2
Amortisation	0.6	1.1
Profit on sale of property, plant and equipment	0.1	-
Operating lease rentals	0.9	24.4
Other operating income	(3.1)	
Reversal of previously impaired group loans – see note 4	-	(63.4)
Total operating costs	**317.9**	**251.7**
Excluding exceptional items	317.9	315.1
Exceptional items	-	(63.4)
Total operating costs	**317.9**	**251.7**

An analysis of exceptional items is given in note 4.

The table below sets out the total remuneration received by the Directors of the company for the current and prior year:

	2020 £m	2019 £m
Remuneration	1.3	1.1
Contributions paid to defined contribution schemes	0.1	0.1
Total remuneration	**1.4**	**1.2**

The above includes £0.5 million (2019: £0.6 million) paid by the ultimate parent company for those Directors who are also Directors of the ultimate parent company. The highest paid director received total remuneration of £0.3 million (2019: £0.3 million).

Coronavirus Job Retention Scheme grants of £3.1 million (2019: £nil) are included in 'other operating income' above. There are no unfulfilled conditions or other contingencies attaching to these grants.

2 Operating costs (continued)

Auditor's remuneration for the audit of the statutory financial statements amounted to £72,000 (2019: £64,000).

3 Staff costs

	2020 £m	2019 £m
Wages and salaries	88.9	82.4
Social security costs	7.4	7.0
Other pension costs	2.1	1.7
	98.4	**91.1**

The average number of persons employed for the period to 27 June 2020 was 3,752 (2019: 3,476).

4 Exceptional items

	2020 £m	2019 £m
Reversal of previously impaired group loans	-	63.4
Net exceptional credit	**-**	**63.4**

Reversal of previously impaired group loans
During the prior year, group loans that had previously been impaired were repaid. Accordingly, the impairment of £63.4 million of these previously impaired group loans was reversed. There was no further reversal of previously impaired group loans during the period ended 27 June 2020.

5 Segment information

	2020			
(Prepared under IFRS 16)	DX Express £m	DX Freight £m	Central £m	Total £m
Revenue	148.2	169.0	-	317.2
Costs before overheads	(118.0)	(150.3)	-	(268.3)
Profit/(loss) before overheads	30.2	18.7	-	48.9
Overheads	(6.3)	(4.9)	(17.9)	(29.1)
EBITDA	23.9	13.8	(17.9)	19.8
Depreciation and amortisation			(20.5)	(20.5)
Share-based payments charge	-	-	-	-
Exceptional items	-	-	-	-
Operating profit/(loss)	23.9	13.8	(38.4)	(0.7)
Interest receivable and similar income			5.2	5.2
Interest payable and similar expenses	-	-	(4.4)	(4.4)
Profit/(loss) before tax	23.9	13.8	(37.6)	0.1
Tax	-	-	-	-
Profit/(loss) for the year	23.9	13.8	(37.6)	0.1

5 Segment information (continued)

(Prepared under IAS 17)	2019 DX Express £m	DX Freight £m	Central £m	Total £m
Revenue	151.9	158.6	-	310.5
Costs before overheads	(123.2)	(161.7)	-	(284.9)
Profit/(loss) before overheads	28.7	(3.1)	-	25.6
Overheads	(6.2)	(4.7)	(16.0)	(26.9)
EBITDA	22.5	(7.8)	(16.0)	(1.3)
Depreciation and amortisation	-	-	(3.3)	(3.3)
Exceptional items	-	-	63.4	63.4
Operating profit/(loss)	22.5	(7.8)	44.1	58.8
Interest receivable and similar income	-	-	4.4	4.4
Interest payable and similar expenses	-	-	(0.6)	(0.6)
Profit/(loss) before tax	22.5	(7.8)	47.9	62.6
Tax	-	-	(0.4)	(0.4)
Profit/(loss) for the year	22.5	(7.8)	47.5	62.2

The Board of Directors is considered to be the chief operating decision-maker ("the CODM"). The CODM considers there to be two separate reporting segments, DX Express and DX Freight. The profitability of these two divisions is reviewed and managed separately, with the exception of certain overheads which are integrated across the two divisions. EBITDA of the two divisions above is shown before any allocation of these central overheads between DX Express and DX Freight. Central overheads comprise costs relating to finance, legal, personnel, property, internal audit, IT, procurement and administrative activities which cannot be specifically allocated to an individual division.

The CODM considers that assets and liabilities are reviewed on a Group basis therefore no segment information is provided for these balances.

The CODM considers there to be only one material geographical segment, being the United Kingdom.

6 Interest

	2020 £m	2019 £m
Interest receivable and similar income:		
Dividend received from subsidiary undertaking	4.4	3.5
Group interest receivable	0.8	0.9
Total interest receivable and similar income	**5.2**	**4.4**
Interest payable and similar expenses:		
Group interest payable	(0.2)	(0.4)
Interest on lease liabilities	(3.8)	-
Other	(0.4)	(0.2)
Total interest payable and similar expenses	**(4.4)**	**(0.6)**

In the period ended 27 June 2020 the Company's subsidiary undertaking, DX Network Services Ireland Limited, paid a dividend of €4.8 million. (2019: €4.0 million).

7 Tax

(a) *Analysis of charge/(credit) in year*

	2020 £m	2019 £m
Current tax:		
United Kingdom corporation tax:		
Current year	-	-
Adjustments in respect of prior periods	(0.1)	0.1
Total current tax	**(0.1)**	**0.1**
Deferred tax:		
Current year	0.1	0.3
Adjustments in respect of prior periods	-	-
Total deferred tax	**0.1**	**0.3**
Tax charge/(credit)	**-**	**0.4**

(b) *Factors affecting the tax charge/(credit) for year*

The tax assessed for the year differs from the amount that would arise using the weighted average rate of corporation tax in the UK for each year. The differences are explained below:

	2020 £m	2019 £m
(Loss)/profit before tax	0.1	62.6
Profit/(loss) on ordinary activities before tax at the standard rate of UK corporation tax of 19% (2019: 19%)	0.0	11.9
Factors affecting charge for year:		
UK taxable losses unrecognised	0.9	0.9
Reversal of previously impaired group loans	-	(12.0)
Adjustments in respect of prior periods	(0.1)	0.1
Group dividend received	(0.8)	(0.7)
Other	-	0.2
Total charge/(credit)	**-**	**0.4**

(c) *Factors that may affect future tax charges*

The main UK Corporation tax rate remained at 19% (2019: 19%). The previously enacted reduction in the rate from 19% to 17% as from 1 April 2020 was reversed and the 19% was substantively enacted on 17 March 2020.

8 Intangible assets

	Goodwill	Software and development costs	Acquired intangibles: Customer relationships	Acquired intangibles: Trademarks and domain names	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 July 2019	102.5	22.4	1.0	1.0	126.9
Additions	-	0.6	-	-	0.6
Disposals	-	(17.5)	-	-	(17.5)
At 27 June 2020	**102.5**	**5.5**	**1.0**	**1.0**	**110.0**
Amortisation					
At 1 July 2019	100.1	21.7	0.6	1.0	123.4
Charge for the year	-	0.4	0.2	-	0.6
Disposals	-	(17.5)	-	-	(17.5)
At 27 June 2020	**100.1**	**4.6**	**0.8**	**1.0**	**106.5**
Net book value:					
At 27 June 2020	**2.4**	**0.9**	**0.2**	**-**	**3.5**
At 30 June 2019	2.4	0.7	0.4	-	3.5

Goodwill has an indefinite useful life and is subject to annual impairment testing. The goodwill all relates to DX Express (as referred to in note 1). The carrying value of goodwill has been reviewed for impairment with reference to its value in use based on future cash flow projections. The cash flow projections are based on the budget of DX (Group) plc approved by the Board for the forthcoming financial year and subsequent two years. Cash flows beyond these 36 months are extrapolated with reference to historical trends, expected developments, and using estimated growth rates, not exceeding a long-term growth rate of 2.0%. A discount rate of 12.0% has been applied to the future cash flows. Following the review, no impairment charge was required (2019: £nil). There is substantial headroom in the value in use calculations: a 10% change in the growth rate or the discount rate would not result in any impairment.

9 Property, plant and equipment

	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Total
	£m	£m	£m	£m
Cost:				
At 1 July 2019	3.9	9.7	21.3	34.9
Additions	-	1.2	1.6	2.8
Disposals	(0.5)	(0.7)	(3.0)	(4.2)
At 27 June 2020	**3.4**	**10.2**	**19.9**	**33.5**
Depreciation:				
At 1 July 2019	1.2	4.5	19.5	25.2
Charge for the year	0.1	1.0	0.8	1.9
Disposals	(0.4)	(0.6)	(3.0)	(4.0)
At 27 June 2020	**0.9**	**4.9**	**17.3**	**23.1**
Net book value:				
At 27 June 2020	**2.5**	**5.3**	**2.6**	**10.4**
At 30 June 2019	2.7	5.2	1.8	9.7

10 Investments

	Shares in subsidiary companies £m	Loans to group companies £m	Total £m
Cost:			
At 1 July 2019	4.3	23.0	27.3
At 27 June 2020	**4.3**	**23.0**	**27.3**
Provisions:			
At 1 July 2019	-	-	-
At 27 June 2020	**-**	**-**	**-**
Net book value:			
At 27 June 2020	**4.3**	**23.0**	**27.3**
At 30 June 2019	4.3	23.0	27.3

Loans to group companies bear interest at the interest rate payable by the group on its bank borrowings and are repayable no earlier than 30 June 2022.

The carrying value of £27.3 million (2019: £27.3 million) of investments has been reviewed with reference to its value in use, applying the same assumptions used for the value in use of the Company's goodwill shown in note 8. Following the review, no impairment charge was required (2019: £nil).

At 27 June 2020 DX Network Services Limited directly owned 100% of each class of issued shares of the following company:

Company Name	Principal activity
DX Network Services Ireland Limited	Mail services

DX Network Services Ireland Limited is registered and operates in the Republic of Ireland. Its registered office is Unit 6B, Northern Cross Business Park, Finglas, Dublin 11.

11 Debtors

	2020 £m	2019 £m
Trade debtors	20.8	24.5
Amounts due from group companies	1.4	0.6
Other debtors	1.0	0.7
Prepayments and accrued income	10.4	16.9
Corporation tax	0.1	0.1
	33.7	**42.8**

Amounts due from group companies are unsecured, interest free and repayable on demand.

12 Right-Of-Use Assets

	Property £m	Non-property £m	Total £m
Recognised on transition to IFRS 16	56.7	23.1	79.8
Additions	3.4	12.3	15.7
Lease extensions	1.8	-	1.8
Depreciation	(9.4)	(8.6)	(18.0)
Net book value as at 27 June 2020	**52.5**	**26.8**	**79.3**

13 Deferred tax

	£m
At 1 July 2019	2.3
Charged to profit and loss	(0.1)
At 27 June 2020	2.2

Deferred tax is recognised as follows:

	2020 £m	2019 £m
Intangible assets	(0.1)	(0.1)
Depreciation in excess of capital allowances	2.1	2.2
Other timing differences	0.2	0.2
	2.2	**2.3**

The unrecognised deferred tax assets at 27 June 2020 total £5.0 million (2019: £4.7 million), consisting of unused tax losses.

14 Creditors: amounts falling due within one year

	2020 £m	2019 £m
Trade creditors	11.4	17.1
Amounts owed to group companies	4.0	2.6
Other creditors	16.5	6.7
Accruals	13.3	13.4
Deferred income	12.4	15.6
Invoice discounting facility	-	3.1
	57.6	**58.5**

Amounts owed to group companies are unsecured, interest free and repayable on demand.

The Company has a £20.0m invoice discounting facility. The facility is a rolling facility with three months' notice on each side. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 27 June 2020 was £nil (2019: £3.1 million).

15 Creditors: amounts falling due after more than one year

	2020 £m	2019 £m
Loans from group companies	1.3	3.5
	1.3	**3.5**

Loans from group companies bear interest at the interest rate payable by the group on its bank borrowings and are repayable no earlier than 30 June 2022.

16 Lease Liabilities

Leases typically consist of leases for premises, vehicles and equipment such to support operations and to help service the Group's customers. Leases of land and buildings are usually subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs.

	2020 £m	2019 £m
Current		
Lease liabilities	15.6	-
Non-current		
Lease liabilities	67.5	-
Lease liabilities included in the statement of financial position at 27 June	**83.1**	-

The amounts charged to the Income Statement due to the practical expedients taken are shown below:

	2020	
	Property £m	Plant and equipment £m
Expense relating to short term leases	0.4	0.3
Expense relating to low-value leases	-	0.2
	0.4	**0.5**

17 Provisions

	Property repair costs £m	Vehicle dilapidation costs £m	Other provisions £m	Total £m
At 1 July 2019	3.1	-	2.9	6.0
(Credit)/charged to profit and loss	0.6	1.6	(0.1)	2.1
Utilised	(0.1)	-	(0.4)	(0.5)
Transition to IFRS 16	-	-	(1.2)	(1.2)
At 27 June 2020	**3.6**	**1.6**	**1.2**	**6.4**

	2020 £m	2019 £m
Amounts falling due within one year	1.4	1.0
Amounts falling due after more than one year	5.0	5.0
	6.4	**6.0**

17 Provisions (continued)

As disclosed in the accounting policies, in determining provisions management uses judgement with reference to historical data and specifically identified factors, to determine the amount and timing of outflows, and thus the provision required.

Other provisions include management's judgement of settlement costs for ongoing legal matters. Included within other provisions as at 30 June 2019 was an amount of £1.2 million for onerous lease provision which was reclassified to right-of-use assets on the adoption of IFRS 16 on 1 July 2019 (see note 23).

Provisions are expected to be utilised over the period to June 2030.

18 Share capital

Allotted, called up and fully paid:

	No (000)	2020 £m	No (000)	2019 £m
Ordinary shares of 1p each	100,000	1.0	100,000	1.0

The Company has one class of ordinary shares which carries no right to fixed income.

19 Financial commitments

Capital

There was capital expenditure contracted but not provided for plant and equipment of £0.1 million. (2019: £nil).

Total of future minimum lease payments under non-cancellable operating leases:	2019 £m
Within one year	17.7
Between two and five years	42.5
After five years	15.0
	75.2

Operating leases typically consist of leases for premises, vehicles and equipment to support operations and to help service the Company's customers. Leases of land and buildings are usually subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs. Following the transition to IFRS 16, the operating lease disclosure is made as at 30 June 2019.

20 Contingencies

No provision for contingencies have been made.

21 Pension arrangements

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are in managed funds, and are therefore held separately from the assets of the Company.

The total cost charged to the profit and loss account of £2.1 million (2019: £1.7 million) represents contributions payable to this scheme by the Company at rates specified in the rules of the scheme.

Contributions amounting to £0.4 million (2019: £0.4 million) were payable to the scheme at 27 June 2020 and are included in creditors.

22 Parent undertaking and controlling party

The Company's parent undertaking is DX Services Limited, a company incorporated in England and Wales whose registered office is at Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

The Company's ultimate parent undertaking and controlling party at 27 June 2020 was DX (Group) plc, a Company incorporated in England and Wales whose registered office is at Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

DX (Group) plc is also both the smallest and the largest group into which the Company's results are consolidated. Copies of the annual report and financial statements of DX (Group) plc may be obtained from the registered office.

23 IFRS 16 Adoption

The Company has previously prepared its financial statements in accordance with IAS 17 'Leases' which classified leases into operating leases or finance leases, and expensed operating lease rentals within operating costs. IAS 17 was superseded by IFRS 16 'Leases' which is effective for periods beginning on or after 1 January 2019.

The Company has adopted IFRS 16 from 1 July 2019. IFRS 16 introduced a single, 'on balance sheet' accounting model for lessees. As a result, the Company has recognised right of use assets (representing its right to use the underlying assets) and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment at 1 July 2019 with no restatement of comparative information. Comparative information continues to be reported under IAS 17 and related interpretations.

The Company leases many assets, including properties, vehicles and equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases.

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

The Company presents lease liabilities in current and non-current liabilities in the statement of financial position. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation (straight line) and impairment losses, and adjusted for remeasurement of the lease liability.

Lease Liability

The lease liability is initially measured at the present value of the future lease payments as at the commencement date, discounted using the Company's incremental borrowing rate. These include future fixed lease rental payments, variable lease payments that depend on an index or a rate (these are initially measured at the index or rate as at the commencement date) and payments of penalties for terminating the lease earlier, if the conditions reflect the Company exercising an option to terminate the lease.

23 IFRS 16 Adoption (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a lease extension, a change in future lease payments or the Company changes its assessment of whether it will exercise an extension or termination option.

The Company has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition
Previously, the Company classified property leases and equipment leases as operating leases under IAS 17. Leases are typically made for fixed periods of time. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Some leases provide for additional rent payments that are based on an index which is not yet known.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. On transition, the Company's weighted average incremental borrowing rate was estimated to be 4.5%.

The Company used the practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17 on a lease-by-lease basis:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as at 30 June 2019 as an alternative to performing an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact on transition
On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. There was no net impact on retained earnings as the right-of-use assets were measured at an amount equal to the lease liability, allowing for prepayments and accruals. The impact on transition is summarised below:

	1 July 2019 £000
Right-of-use assets	79.8
Lease liabilities	(82.4)
Prepayments	(1.4)
Rent free accrual	2.8
Onerous lease provision	1.2
Net impact on retained earnings	**-**

23 IFRS 16 Adoption (continued)

Impact on transition

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. There was no net impact on retained earnings as the right-of-use assets were measured at an amount equal to the lease liability, allowing for prepayments and accruals. The impact on transition is summarised below:

	1 July 2019 £000
Right-of-use assets	79.8
Lease liabilities	(82.4)
Prepayments	(1.4)
Rent free accrual	2.8
Onerous lease provision	1.2
Net impact on retained earnings	**-**

	1 July 2019 £m
Operating lease commitments disclosed at 30 June 2019	75.2
Difference between non-cancellable lease term and lease term used to calculate the IFRS 16 liability	19.8
Short term and small leases excluded	(0.6)
Discounted using the lessee's incremental borrowing rate as at 1 July 2019	(12.0)
Lease liability recognised as at 1 July 2019	**82.4**

Comprising:	
Current lease liabilities	15.7
Non-current lease liabilities	66.7
Total lease liabilities	**82.4**

The carrying amount of the right-of-use assets are as below:

Right-of-use assets	27 June 2020 £m	1 July 2019 £m
Properties	52.5	56.7
Plant, equipment and vehicles	26.8	23.1
Total right-of-use assets	79.3	79.8

Impact in the period

As a result of applying IFRS 16 the Company recognised £79.3m of right-of-use assets and £83.1 of lease liabilities as at 27 June 2020. Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the period ending 27 June 2020, the Company recognised £18.0m of depreciation charges and £3.8m of interest costs from these leases.

23 IFRS 16 Adoption (continued)

The impact on the profit/(loss) for the period is summarised below:

	£m
Loss before tax before IFRS16 adjustments	**(2.8)**
Add back IAS 17 rental charge	20.3
Depreciation charge on right-of-use assets	(18.0)
Interest cost on lease liability	(3.8)
Net impact on loss for the period	**(1.5)**
Loss before tax	**(4.3)**