Company Registration No. 07950784

LOGISTICS GROUP LIMITED
(PREVIOUSLY YODEL LOGISTICS LIMITED)

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

for the year ended 30 June 2019

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COMPANIES HOUSE

DIRECTORS

A S Barclay
H M Barclay
P L Peters
R J Neal
S A Winton

COMPANY NUMBER

07950784

REGISTERED OFFICE

Second Floor
Atlantic Pavilion
Albert Dock
Liverpool
L3 4AE

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

CONTENTS

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 June 2019.

The directors in preparing this Strategic Report have complied with s414C of the Companies Act 2006.

The financial statements have been prepared to the Saturday closest to 30 June 2019, which this year fell on 29 June (2018: 30 June), therefore the results in the Income Statement are for a 52-week period (2018: 52-week period).

Principal activities and business review
The principal activity of the Group is the provision of packet and parcel delivery services (Yodel) and two-man delivery and installation services (ArrowXL), together with related transport activities and warehousing. Yodel delivers packets and parcels on behalf of clients to both business (B2B) and household (B2C) customers, and provides access to the Collect+ network for the local collection and returns of parcels, all in the United Kingdom. ArrowXL warehouses, delivers and installs large products such as white goods and furniture, also in the United Kingdom. Clients of both businesses include a diverse range of retail and other businesses.

The Group operates under the brand names "Yodel" and "ArrowXL" and is licensed to use the 'Collect+' brand.

The Income Statement is set out on page 12 and shows a loss for the year after tax of £67.5m (2018: loss of £116.8m). The Group and Company's financial position are set out on pages 14 and 15. The EBITDA (Earnings before interest, taxation, depreciation and amortisation, pre non-fire exceptional items) is:

	2019 £'m	2018 £'m
Yodel	(47.2)	(42.7)
Arrow XL	3.2	3.6
	(44.0)	(39.1)

The directors are naturally disappointed to report a deterioration in EBITDA compared to the prior year, however, since January 2019 the financial performance in Yodel has been on an improving trajectory which has continued to date. The financial performance in the year ended June 2019 was in line with expectations, with trading losses reflecting historical inefficiencies that have since been addressed through a series of management actions.

On 20 April 2017 the ArrowXL Worcester Hub was destroyed by fire – this was ArrowXL's primary delivery facility and handled c.43% of all delivery volume at the time of the fire. An immediate recovery plan was implemented by utilising a warehouse in Chepstow, then in September 2017 the business successfully opened a medium-term replacement site in Droitwich which allowed the business to restore operational capacity. Planning permission was granted for the re-build of the Worcester Hub in April 2018, to include a High-Bay warehousing facility. The building works were completed in August 2019 and the new Worcester Hub became fully operational in October 2019. This new facility provides ArrowXL with a world class warehousing and distribution facility that will support future growth in volumes.

ArrowXL's client base have been hugely supportive of the Company during this difficult period and the directors are appreciative of their continued support. With the completion of the new Worcester Hub ArrowXL can now look to the future with confidence.

STRATEGIC REPORT (CONTINUED)

Outlook

The UK packets and parcels market continues to enjoy strong volume growth driven by the increasing shift in consumer demand for on-line shopping. Customers are becoming increasingly demanding with flexibility of delivery options and enhanced tracking becoming critical. Yodel continues to invest in this area and has now developed a tangible track record of service and product improvements.

Both Yodel and ArrowXL continue to focus on providing excellent client and customer service and product offerings, together with winning profitable new accounts. Service performance in both businesses remains key to their success and both businesses continue to deliver significant improvements.

(a) Yodel

The directors recognise the positive changes taking place in Yodel;

- Further tangible improvements in service over the past year are evidenced by recognised industry performance metrics such as Trustpilot. The ongoing focus on service and product offerings is continuing to deliver results both in terms of client retention and new business;
- The Company continues to invest in improving the quality of its service centres and Yodel is progressing with significant investment in an upgrade of its IT systems and infrastructure and new product development; and
- Yodel is continuing to develop its International offering for both inbound and outbound traffic through strategic partnerships.

Yodel appointed Mike Hancox, formerly Chief Executive at Ideal Shopping Direct, as Chief Executive in September 2019. Mike brings a wealth of relevant experience to Yodel and the directors are confident his appointment will continue the positive transformation of Yodel.

The directors are pleased that the EBITDA result for Yodel for the year ending June 2020 will show significant improvement and the company is now profitable on an EBITDA basis as at June 2020.

The shareholder remains supportive of Yodel and is committed to its success.

(b) ArrowXL

ArrowXL has continued to invest in its operational and IT infrastructure to support the expansion plans of the business, and ultimately improve on its market leading customer service proposition. The two-person home delivery sector is highly innovative and ArrowXL is investing to keep pace with customer requirements and expectations. The expansion of the integrated warehousing, transport, plus delivery and installation model continues to be an increasing feature of the market.

In 2019 ArrowXL invested a total of £3.8m in fitting out the new Worcester Hub and in September 2020 will replace the current Enfield Hub with a new build facility that will also be fitted out with High-Bay warehousing.

The directors are pleased that the EBITDA result for ArrowXL for the year ending June 2020 will show significant improvement.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The management of the businesses and execution of the Group's strategy are subject to a number of risks. In addition to the general uncertainty of the macro-economic situation (particularly the uncertainty around Brexit and the financing of certain of the Euro-zone economies), the principal other risks to the business are:

- customer confidence from the uncertainty relating to Brexit and possible future border delays for product movements;
- business disruption from the Covid-19 pandemic as discussed further in the Directors Report;
- market de-stabilisation caused by aggressive and distressed competitor activity;
- changes in the regulatory environment specifically in relation to Temporary workers and the long-term use of certain Consultants;
- catastrophic IT systems failures or disruptions which would impact our ability to deliver service performance, together with an increased risk in the management of cyber security; and
- integration of sustainability into the workplace including diversity and climate control challenges.

The Strategic Report has been approved and authorised for issue by the Board of Directors.

P L Peters
Director
31 July 2020

DIRECTORS' REPORT

The directors present their report and audited financial statements of the Group for the year ended 30 June 2019.

On 30 January 2019 the Company changed its name from Yodel Logistics Limited to Logistics Group Limited.

Directors

The following directors have held office throughout the financial year and up to the date of these financial statements:

A S Barclay
H M Barclay
P L Peters
M Seal (resigned 7 June 2019)
R J Neal
S A Winton

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Going concern

Yodel has generated trading losses and required continued support from its shareholders over a number of years. The directors are pleased that Yodel has been consistently profitable at an EBITDA level since April 2020 as a result of a series of planned management actions taken as part of the multi-year turnaround of the business. That said, at this time Yodel continues to remain dependent on funding from its parent company, albeit at reduced levels compared to previous years, to complete the business turnaround and in particular to fund planned investments over the next 12 months.

The parent company has continued to provide funding to Yodel since the balance sheet date and has confirmed to the directors that it will continue to provide funding as necessary to support the turnaround of the Yodel business.

Given the desire to finalise the financial statements and the challenges brought about by the current Covid-19 circumstances, it has not been practical to guarantee the availability of the potential funding required by the date of signing these financial statements.

The directors are confident that such funding will be available as required and expect Yodel's trading performance and operating cash flow to continue to improve. The Group has sufficient liquidity over the coming months to cover all anticipated liabilities and in addition the directors have a number of mitigating actions available to them to manage liquidity, including tight management of capital spend and sensible working capital management. The financial statements have therefore been prepared on the going concern basis.

DIRECTORS' REPORT (CONTINUED)

Going Concern (continued)

Nevertheless, as a result of the factors above a material uncertainty exists which may cast significant doubt as to the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Proposed liquidation of dormant subsidiary

The directors' intention is to liquidate the dormant subsidiary company Arrow XL (Scotland) Limited.

Political contributions

There were no political contributions in the year (2018: £nil).

Employee involvement

There is a commitment to employee engagement geared towards business improvement and which incorporates a full and open dialogue with employees and their representatives. This encourages an active contribution from employees to achieving stated business objectives.

Employees and their representatives are regularly informed of business objectives, trading performance, economic conditions and relevant matters. Employees are also represented on the various trustee boards relating to pension arrangements.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group.

Elective resolution

The Company has passed elective resolutions to dispense with the holding of annual general meetings and for the laying of the annual report and financial statements before the Company in general meetings, until such time as the elections are revoked.

DIRECTORS' REPORT (CONTINUED)

Statement of disclosure to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself 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.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk, and liquidity risk.

Credit risk

The Group's principal financial assets are cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Credit risk (continued)

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. The exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowing which is reviewed on an ongoing basis.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance (Note 3).

DIRECTORS' REPORT (CONTINUED)

Events after the Statement of Financial Position date

On 30 January 2020, the spread of Covid-19 was declared a public health emergency by the World Health Organisation. The impact of Covid-19 has been considered as a non-adjusting post balance sheet event, in accordance with IAS 10, and therefore any impact would be recorded prospectively in the June 2020 financial statements.

The Group (and its trading subsidiaries) have been monitoring and continuously assessing the impact of Covid-19 on colleagues, the business operations and indeed financial performance since the first UK cases were reported in early 2020. Since the UK was put into lockdown on 23rd March 2020 the Group and wider Business Management have been working tirelessly with all stakeholders in order to ensure the safety of colleagues and the continued operation of its principal subsidiaries, Yodel Delivery Network Limited (YDNL) and Arrow XL Limited (AXL), as "Key Suppliers".

As leading UK delivery partners both YDNL and AXL have benefitted from their business models which have proven resilient during this unprecedented period of lockdown. There has been a material improvement in sales of flowers, wines, garden and home products, but clothing and fashion sales have declined reflecting customers focus on living and working at home.

It is clearly extremely difficult to quantify the expected impact of Covid-19 on the Group. However, Group forecasts have been stress tested for a number of scenarios and the Group has deployed strategies and tools to closely manage cash flow and mitigate any issues. Actions taken by the Group include cost reduction, tight management of capital spend and trade debtor management.

Following the work undertaken by the Group the Directors are confident that the Group has sufficient liquidity for the next 12 months. Trading to date remains significantly better than the Group stress test scenario.

As noted above, as a result of the principal activity of the company and the operational resilience of the Group, the directors are satisfied that Covid-19 does not pose a threat to the going concern status of the company.

The Directors' Report has been approved and authorised for issue by the Board of Directors.

P L Peters
Director
31 July 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGISTICS GROUP LIMITED (PREVIOUSLY YODEL LOGISTICS LIMITED)

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Logistics Group Limited (previously Yodel Logistics Limited) (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Parent Company Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Parent Company Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that the Group is dependent on funding from its parent company and that it has not been practical to guarantee the availability of potential funding required. As stated in note 3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGISTICS GROUP LIMITED (PREVIOUSLY YODEL LOGISTICS LIMITED) (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGISTICS GROUP LIMITED (PREVIOUSLY YODEL LOGISTICS LIMITED) (CONTINUED)

Report on other legal and regulatory requirements (continued)

Opinions on other matters prescribed by the Companies Act 2006 (continued)

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

William Smith (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 July 2020

CONSOLIDATED INCOME STATEMENT

	Notes	**2019 £'000**	**2018 £'000**
Revenue	5	508,757	481,505
Cost of sales		(436,723)	(413,704)
Gross profit		72,034	67,801
Operating expenses		(133,245)	(135,865)
Exceptional income	6	2,796	10,444
Operating exceptional items	7	(8,058)	(52,856)
Operating loss	8	(66,473)	(110,476)
Finance costs	10	(7,759)	(6,344)
Finance income	10	16	15
Loss before taxation		(74,216)	(116,805)
Tax credit	11	6,679	-
Loss for the year		(67,537)	(116,805)

The results shown above arise entirely from the Group's continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2019 £'000**	**2018 £'000**
Loss for the year		(67,537)	(116,805)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	*30*	114	10,656
Impact of pension scheme buy-in	*30*	3,300	(10,600)
Tax on pension scheme	*30*	(1,158)	-
Total comprehensive loss for the year		(65,281)	(116,749)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2019** **£'000**	**2018** **£'000**
Non-current assets			
Goodwill	*13*	1,158	1,158
Other intangible assets	*14*	23,328	19,422
Property, plant and equipment	*15*	39,079	46,212
		63,565	66,792
Current assets			
Inventories	*17*	1,343	1,449
Trade and other receivables	*18*	164,036	165,299
Cash at bank and in hand		331	3,135
Total current assets		165,710	169,883
Total assets		229,275	236,675
Equity and liabilities			
Current liabilities			
Trade and other payables	*21*	93,879	83,675
Borrowings	*19*	174,565	124,699
Total current liabilities		268,444	208,374
Non-current liabilities			
Payables due after more than one year	*19*	1,595	2,645
Retirement benefit obligations	*30*	5,123	5,945
Provisions for liabilities	*22*	16,936	16,138
Deferred income due in greater than one year	*23*	-	1,115
Total non-current liabilities		23,654	25,843
Equity			
Called-up share capital	*25*	971,000	971,000
Merger reserve	*27*	(91,000)	(91,000)
Retained earnings	*26*	(942,823)	(877,542)
Equity attributable to owners of the Company		(62,823)	2,458
Total equity and liabilities		229,275	236,675

The financial statements of Logistics Group Limited (previously Yodel Logistics Limited), Company number 07950784, were approved by the Board of Directors on 31 July 2020.

P L Peters
Director

R Neal
Director

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investment in subsidiaries	16	119,000	119,000
Current assets			
Trade and other receivables	18	116,092	110,933
Total assets		235,092	229,933
Equity and liabilities			
Current liabilities			
Trade and other payables	21	2,981	40,470
Borrowings	19	174,565	124,699
Total current liabilities		177,546	165,169
Equity			
Called-up share capital	25	971,000	971,000
Retained earnings	26	(913,454)	(906,236)
Equity attributable to owners of the Company		57,546	64,764
Total equity and liabilities		235,092	229,933

The Company reported a loss for the financial year ended 30 June 2019 of £7.2m (2018: £116.4m).

The financial statements of Logistics Group Limited (previously Yodel Logistics Limited), Company number 07950784, were approved by the Board of Directors on 31 July 2020.

Signed on its behalf

P L Peters
Director

R Neal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders			
	Called-up share capital	**Merger reserve**	**Retained earnings**	**Total**
Notes	25	27	26	
	£'000	**£'000**	**£'000**	**£'000**
At 1 July 2017	856,000	(91,000)	(760,793)	4,207
Loss for the year	-	-	(116,805)	(116,805)
Remeasurement of net defined benefit liability	-	-	10,656	10,656
Impact of pension scheme buy-in	-	-	(10,600)	(10,600)
Total comprehensive expense for the year	-	-	(116,749)	(116,749)
Issue of share capital	115,000	-	-	115,000
At 30 June 2018	971,000	(91,000)	(877,542)	2,458
Loss for the year	-	-	(67,537)	(67,537)
Remeasurement of net defined benefit liability	-	-	114	114
Impact of pension scheme buy-in	-	-	3,300	3,300
Tax on pension scheme	-	-	(1,158)	(1,158)
Total comprehensive expense for the year	-	-	(65,281)	(65,281)
At 30 June 2019	971,000	(91,000)	(942,823)	(62,823)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders		
	Called-up share capital	**Retained earnings**	**Total**
Notes	*25*	*26*	
	£'000	**£'000**	**£'000**
At 1 July 2017	856,000	(789,819)	66,181
Loss and other comprehensive income for the year	-	(116,417)	(116,417)
Issue of share capital	115,000	-	115,000
At 30 June 2018	971,000	(906,236)	64,764
Loss and other comprehensive income for the year	-	(7,218)	(7,218)
At 30 June 2019	971,000	(913,454)	57,546

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2019 £'000	2018 £'000
Net cash flows used in operating activities	*28*	(28,116)	(89,028)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		209	52
Purchases of property, plant and equipment		(7,038)	(8,050)
Purchases of intangible assets		(8,397)	(10,959)
Interest received		16	15
Net cash used in investing activities		(15,210)	(18,942)
Cash flows from financing activities			
Drawdown of borrowings		50,000	62
Interest paid		(6,514)	(5,749)
Repayments of obligations under finance leases		(1,603)	(3,334)
Repayment of finance lease interest		(154)	(260)
Proceeds on issue of shares		-	115,000
Net cash from financing activities		41,729	105,719
Net decrease in cash and cash equivalents		(1,597)	(2,251)
Cash and cash equivalents at the start of the year		1,034	3,285
Cash and cash equivalents at the end of the year	*28*	(563)	1,034

The Company has not prepared a Cash Flow Statement as it does not hold any cash or cash equivalents.

In the prior year interest paid has been reclassified from cash flows from investing activities to cash flows from financing activities to reflect that those cash flows result from secured borrowings. The impact is to reclassify £5,749,000 to cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

Logistics Group Limited (previously Yodel Logistics Limited) is a private Company limited by shares and is incorporated and registered in England and Wales under the Companies Act. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are also presented in pounds sterling.

The financial statements have been prepared to the Saturday closest to 30 June 2019, which this year fell on 29 June (2018: 30 June).

For the year ended 30 June 2019 the following indirectly owned subsidiaries of the Company were entitled to exemption from audit under s480 of then Companies Act 2006 relating to subsidiary companies;

Company name	Registration number
Arrow XL (Scotland) Limited	SC093044
Parcelpoint Limited	06763295
HDN (NI) Limited	05885956

2. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures about 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Adoption of new and revised Standards (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Group reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that following the initial application of IFRS 9, none of the reclassification of financial assets required under IFRS 9 have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in the current year or previous financial period.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

As a result of applying the effective credit loss model, there has been no material changes to the financial statements.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss (FVTPL) attributable to changes in the credit risk of the issuer.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The standard has been retrospectively applied and there have been no changes to the financial statements as a result.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Adoption of new and revised Standards (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the modified retrospective approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 July 2018.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

A detailed assessment of some of the largest contracts has been carried out and the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 16	*Leases*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to* IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Adoption of new and revised Standards (continued

IFRS 16 *Leases*

(a) General impact of application of IFRS 16 Leases

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 July 2019.

The Group has chosen the cumulative catch up approach to the application of IFRS 16 in accordance with IFRS 16:C5(a). Consequently, the Group will apply IFRS 16 with an adjustment to opening retained earnings.

(b) Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

(c) Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off the statement of financial position.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

i) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
ii) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Adoption of new and revised Standards (continued)

IFRS 16 *Leases* (continued)

iii) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30th June 2019, the Group has non-cancellable operating lease commitments of £144m. A preliminary assessment indicates that the Group will recognise a right-of-use asset of circa £106m-£131m and a corresponding lease liability of the same range in respect of all these leases. The impact on profit and loss is to decrease 'other operating expenses and cost of sales' by circa £25m-£31m, to increase depreciation by circa £22m-£26m and to increase interest expense by circa £4.5m-£5.5m.

The provision for onerous lease contracts which was required under IAS 17 of £0.065m will be derecognised. The value of the right-to-use asset that this related to will be fully impaired by £0.065m and therefore the impact on opening reserves will be £nil.

Lease liability incentives of £2.5m previously recognised in respect of operating leases will be derecognised and the amount factored into the measurement of the right-to-use assets and lease liabilities.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of changes under IFRS 16 would be to reduce the cash generated by operating activities by circa £25m-£31m and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Group financial statements consolidate the financial statements of Logistics Group Limited (previously Yodel Logistics Limited) and its subsidiary undertakings drawn up to the Saturday closest to 30 June 2019, which this year fell on 29 June (2018: 30 June). The accounting policies of subsidiary undertakings are consistent with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The accounts have been consolidated using merger accounting. The results and cash flows of all the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred.

Basis of presentation

The Group has adopted an alternative presentation of the Statement of Financial Position in the year and therefore the prior year Statement of Financial Position has been re-presented. The directors believe this provides a more informative view of the position of the Company to the users of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Going concern

Yodel has generated trading losses and required continued support from its shareholders over a number of years. The directors are pleased that Yodel has been consistently profitable at an EBITDA level since April 2020 as a result of a series of planned management actions taken as part of the multi-year turnaround of the business. That said, at this time Yodel continues to remain dependent on funding from its parent company, albeit at reduced levels compared to previous years, to complete the business turnaround and in particular to fund planned investments over the next 12 months.

The parent company has continued to provide funding to Yodel since the balance sheet date and has confirmed to the directors that it will continue to provide funding as necessary to support the turnaround of the Yodel business.

Given the desire to finalise the financial statements and the challenges brought about by the current Covid-19 circumstances, it has not been practical to guarantee the availability of the potential funding required by the date of signing these financial statements.

The directors are confident that such funding will be available as required and expect Yodel's trading performance and operating cash flow to continue to improve. The Group has sufficient liquidity over the coming months to cover all anticipated liabilities and in addition the directors have a number of mitigating actions available to them to manage liquidity, including tight management of capital spend and sensible working capital management. The financial statements have therefore been prepared on the going concern basis.

Nevertheless, as a result of the factors above a material uncertainty exists which may cast significant doubt as to the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Revenue recognition

The Group's activities consist of the provision of a packet, parcel and goods delivery service, related transport activities and warehousing to the business and consumer markets in the United Kingdom. Revenue is recognised upon delivery of packets and parcels to the customer at which point the company's performance obligations are deemed to be satisfied. Revenue is stated net of VAT and trade discounts. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of minimum lease payments, each determined at inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Leases (continued)

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

The aggregate benefit of lease incentives is recognised as a reduction of the rental expense on a straight-line basis over the lease term.

Operating loss

Operating loss is stated after charging restructuring costs and after the share of results of the joint venture, gain on bargain purchase and exceptional items, but before finance costs and finance income.

Operating exceptional items

Operating exceptional items are those items which are not incurred in the usual course of business and include a programme of streamlining and reorganisation of activities in the company. In the current and previous financial year exceptional items also include the insurance income received following the Arrow XL Worcester warehouse fire, as well as the disruption costs incurred as a result of the fire.

Pensions

For defined contribution schemes the amount charged to the Income Statement in respect of pension costs and other retirement benefits is the contributions payable in the financial period. Differences between contributions payable in the financial period and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the Income Statement and included within finance costs. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The retirement benefit obligation recognised in the consolidated Statement of Financial Position represents the deficit in the Group's defined benefit schemes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Deferred tax assets and liabilities are offset only if (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be recovered.

Property, plant and equipment

Property, plant and equipment are measured at cost, net of depreciation and any provision for impairment. Depreciation is provided straight-line to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their estimated useful working lives as follows:

Freehold land	not depreciated
Freehold buildings	over a period up to 50 years
Leasehold land and buildings	shorter of 50 years or remaining life of lease
Fixtures, fittings and equipment	10-33% per annum
Motor vehicles	10-25% per annum

Assets under the course of construction are not depreciated until they are brought into use.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or scrappage of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Goodwill

Goodwill arises where the fair value of the consideration paid is greater than the fair value of the identifiable assets and liabilities acquired.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying value of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets - software

Software development costs are treated as intangible fixed assets and capitalised in the Statement of Financial Position where the directors are satisfied as to the technical, commercial and financial viability of individual projects, otherwise they are expensed to the Income Statement as incurred. Software is amortised straight-line over its useful economic life of five years and is recognised within operating expenses in the Income Statement. Provision is made for any impairment.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the disposal proceeds and the carrying amount of the asset are recognised in the Income Statement when the asset is derecognised.

Impairment of tangible and intangible assets

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash generating unit, is estimated to be less than the carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash generating unit, is increased to the revised estimate of its recoverable amount, ensuring the increased carrying value is not greater than the amount that would have been determined if no impairment loss had been recognised for that asset in prior years. The reversal of an impairment loss is recognised immediately in the Income Statement.

Inventories

Inventories are stated at the lower of cost and net realisable value and consist of consumables. Provision is made for obsolete, slow moving or defective items where appropriate. Inventory is accounted for on a first in first out basis.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added to or deducted from fair value on initial recognition.

Financial assets
Financial assets are classified depending on their nature and purpose and the classification is determined at the time of initial recognition.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed on a collective basis. Objective evidence of impairment for a portfolio of receivables includes past experience of collecting payments and the ageing of the receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables. A provision is created for trade receivables and any amounts that are subsequently written off are written off against the provision. Any changes in the provision are recognised in the Income Statement.

If in a subsequent period the amount of the impairment loss decreases and this decrease can be related objectively to events occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Income Statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets are derecognised when and only when the contractual rights to the cash flows expire or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Income Statement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities, including borrowing costs, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when, and only when the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

Fixed asset investments
Fixed asset investments are valued at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Investments in joint operations

A joint arrangement is an arrangement in which two or more parties have contractually agreed to sharing of control of an arrangement which requires the unanimous consent when making decisions about the relevant activities.

Joint arrangements are classified as either:

- a joint venture whereby the Group has the right to net assets through joint control with third parties; or
- a joint operation whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Joint ventures are accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

Joint operations are accounted for by recognising, in relation to the interest in the joint operation:

- the assets, including its share of any assets held jointly;
- the liabilities, including its share of any liabilities incurred jointly;
- the revenue from the sale of its share of the output arising from the joint operation;
- the share of the revenue from the sale of the output by the joint operation; and
- the expenses including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Recognition of insurance proceeds

Determining whether the proceeds receivable from the insurance company in relation to the Worcester fire relate to loss of profits or loss of assets requires an element of judgement as the claim was settled in total and not by individual component elements. All monies received in relation to destroyed assets have been credited to the profit and loss in this period, whilst proceeds in relation to fixed assets required to recommence operations from the temporary Droitwich site are being recognised to match the depreciation of these assets. There was a 24 month disruption element to the claim, so proceeds are being released to this anniversary to cover these extra costs of operation.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

Determining whether goodwill, other intangible assets, property, plant and equipment and investments are impaired requires an estimation of the value in use of the cash generating units. Key assumptions and sensitivity analysis are disclosed in note 13. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying value of Group goodwill at 30 June 2019 is £1.2m (2018: £1.2m) after recognising an impairment of £nil (2018: £21.5m). The carrying value of investments in the Company Statement of Financial Position at 30 June 2019 is £119m (2018: £119.0m), after recognising an impairment of £nil (2018: £110.6m). The carrying value of other intangible assets at 30 June 2019 in the Group is £23.3m, (2018: £19.4m) after an impairment charge of £nil (2018: £12.6m). The carrying value of property, plant and equipment at 30 June 2019 in the Group is £39.1m (2018: £46.2m), after an impairment charge of £0.3m (2018: £0.2m).

5. Revenue

Revenue arises from the provision of a packet, parcel and goods delivery service, related transport activities and warehousing to the business and consumer markets in the United Kingdom.

6. Exceptional income

	2019 £'000	2018 £'000
Business interruption claim	2,316	9,228
Compensation on replacement assets	480	362
Contents insurance proceeds received	-	854
	2,796	10,444

On 20th April 2017, the Worcester Hub of 100% owned subsidiary Arrow XL Limited was destroyed by fire. All losses caused by the fire were fully insured and proceeds were received from the insurance company to cover the loss of profits and increased cost of working.

All proceeds received from the insurance company to cover the loss of profits and increased cost of working are expected to be recognised in exceptional income over the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Operating exceptional items

	2019 £'000	2018 £'000
Reorganisation and restructuring costs	6,862	16,038
Fire disruption	1,196	2,731
Impairment of goodwill	-	21,487
Impairment on other intangible assets	-	12,600
	8,058	52,856

In the current and prior year, exceptional operating costs comprised restructuring costs in connection with streamlining and reorganisation of activities in the group.

Fire disruption relates to costs incurred as a result of the Worcester fire on 20th April 2017.

Goodwill and other intangible assets have been impaired in the prior year as a result of the annual impairment test (note 13).

8. Operating loss

Operating loss is stated after charging:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	11,455	11,499
Amortisation of intangible assets	4,377	10,376
Impairment of property, plant and equipment	289	171
Impairment of other intangible assets	-	12,600
Impairment of goodwill	-	21,487
Operating lease rentals	32,497	39,003
Loss on disposal of property, plant and equipment	1,245	181
Loss on disposal of intangible assets	63	189
Fees payable to the Company's auditor for the audit of the Company's and Group's financial statements	19	14
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	241	180
Other audit services	10	-

Non audit fees payable during the current year related to services in respect of the Group's future application of IFRS 16, Leases to its financial statements. There were no non audit fees payable in the prior year.

Amortisation of intangible assets of £963,000 (2018: £2,283,000) has been charged to cost of sales in the consolidated income statement.

Amortisation of intangible assets of £3,414,000 (2018: £8,093,000) has been charged to operating expenses in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Staff costs

Group	**2019 Number**	**2018 Number**
Average monthly number of full time equivalents (including part-time staff and directors) employed:		
Administration	903	939
Distribution and customer services	4,351	4,120
	5,254	5,059

None of the directors received any emoluments for services to the Company during the year ended 30 June 2019 (2018: nil).

No directors (2018: one) were remunerated by a subsidiary undertaking with all directors being remunerated by companies outside of the Logistics Group Limited (previously Yodel Logistics Limited) and costs are not recharged.

	2019 £'000	**2018 £'000**
Staff costs (including part-time staff and directors) during the year:		
Wages and salaries	150,377	153,019
Social security costs	14,877	14,722
Other pension costs	4,518	4,067
Redundancy	3,909	3,480
	173,681	175,288

During the financial year the directors did not participate in the Group defined benefit schemes (2018: nil) and no directors (2018: nil) had contributions paid into money purchase pension schemes of a subsidiary undertaking.

There are no employees in the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Finance costs and finance income

	2019 £'000	2018 £'000
Interest payable on bank loans	6,410	5,102
Amortisation of issue costs	807	713
Interest payable on finance leases	154	260
Interest on financing arrangement	229	87
Interest on pension scheme liabilities	159	182
Finance costs	7,759	6,344

	2019 £'000	2018 £'000
Bank interest receivable	16	15
Finance income	16	15

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tax

	2019 £'000	2018 £'000
Current taxation:		
Corporation tax credit at 19% (2018: 19%)	(6,679)	-

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020, and the Finance Act 2015 (No.2) included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(74,216)	(116,805)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(14,101)	(22,193)
Effects of:		
Income not taxable	(17)	-
Expenses not deductible for tax purposes	279	6,998
Transfer pricing adjustments	813	327
Fixed assets timing differences	1,078	1,728
Short term timing differences	(984)	508
Unrecognised tax losses	2,290	12,280
Group relief surrendered for nil consideration	10,642	352
Prior year adjustment to group relief	(6,679)	-
Group total tax credit for the year	(6,679)	-

The prior year adjustment relates to losses surrendered to a fellow subsidiary of the Group's ultimate parent in respect of the prior year for which a charge was subsequently made in the current year.

Effects of exceptional items on taxable losses

Exceptional income and expenditure (excluding impairment of goodwill and £2.5m of other intangible assets) are fully taxable or tax-deductible at the standard rate of corporation tax in UK of 19% (2018: 19%).

12. Loss of holding Company

The loss on ordinary activities after taxation for the year attributable to the Company amounted to £7.2m (2018: £116.4m). The holding Company has taken advantage of Section 408 of the Companies Act 2006 and has not published its own Income Statement or Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Goodwill

Group **Cost**	**Goodwill** **£'000**
As at 1 July 2017	22,645
Impairment during the prior year	(21,487)
As at 30 June 2018	1,158
As at 30 June 2019	1,158

The Group goodwill relates to the acquisition of the trade and assets of Reality Group Limited and Business Express Network Limited. Also included in goodwill is the goodwill on the consolidation of Arrow XL (Scotland) Limited. There is no goodwill in the Parent Company's statement of financial position.

All goodwill and other fixed assets are reviewed annually for impairment. Goodwill acquired through business combinations and other fixed assets are allocated for impairment testing purposes to one cash-generating unit, which is also the only operating segment of the Group. This represents the lowest level within the Group at which fixed assets are monitored for internal management purposes.

At 30 June 2019 goodwill before impairment relating to the Arrow XL cash generating unit (CGU) was £1.2m (2018: £1.2m) and to the Yodel Group cash generating unit (CGU) of £nil (2018: £21.5m)

At 30 June 2019 other fixed assets before impairment relating to the Arrow XL cash generating unit (CGU) was £12.6m (2018: £12.0m) and to the Yodel Group cash generating unit (CGU) of £49.8m (2018: £66.2m)

The Group performed its annual impairment test as at 30 June 2019 and 30 June 2018. The recoverable amount of the cash-generating unit was determined based on the value in use calculations. This used cash flow projections derived from the most recent financial forecasts approved by directors for the next five years and extrapolated cash flows for the following years in perpetuity using an estimated growth rate of 4% (2018: 4%). This rate did not exceed the average long-term growth rate for the market. Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this cash-generating unit. The pre-tax discount rate applied was 13.1% (2018: 13.1%).

There is no impairment charge to be allocated against the Arrow XL CGU for the year ended 30 June 2019 (2018: nil) following the annual impairment test.

There is no impairment charge to be allocated against the Yodel Group CGU for the year ended 30 June 2019 (2018: £34.1m) following the annual impairment test. In the prior year goodwill was impaired by £21.5m and other fixed assets were impaired by £12.6m in the Yodel Group CGU.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill and other fixed assets is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill and other fixed assets is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Arrow XL CGU and Yodel Group CGU.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Goodwill (continued)

The key assumptions upon which the directors have based their cash flows are volume growth, marginal price increases and cost reduction. Sensitivity analysis has been completed on key assumptions in isolation.

- A reduction of 1p in revenue per parcel in perpetuity would reduce the value in use by £14.7m.
- A reduction of 1m parcels in perpetuity would reduce the value in use by £7.2m.
- An increase in cost of 1p per parcel in perpetuity would reduce the value in use by £13.9m.

At 30 June 2018, before impairment testing, goodwill of £21.5m and fixed assets of £66.2m were allocated to the Yodel Group CGU. Yodel has continued to be impacted by client losses that were only partially offset by new business and consequently the Group has revised its cash flow forecasts for this CGU downwards.

The annual impairment review resulted in a full impairment of the goodwill relating to the Yodel CGU during the year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Other intangible assets

Group	Assets under the course of construction £'000	Software £'000	Total £'000
Cost			
At 1 July 2017	17,643	46,598	64,241
Additions	6,168	3,255	9,423
Transfers between categories	(9,112)	9,112	-
Disposals	-	(7,689)	(7,689)
At 30 June 2018	14,699	51,276	65,975
Additions	1,766	6,580	8,346
Transfers between categories	(9,128)	9,128	-
Disposals	-	(960)	(960)
At 30 June 2019	7,337	66,024	73,361
Amortisation			
At 1 July 2017	-	31,077	31,077
Charge for the year	-	10,376	10,376
Disposals	-	(7,500)	(7,500)
Impairment	-	12,600	12,600
At 30 June 2018	-	46,553	46,553
Charge for the year	-	4,377	4,377
Disposals	-	(897)	(897)
At 30 June 2019	-	50,033	50,033
Net book value			
At 30 June 2019	7,337	15,991	23,328
At 30 June 2018	14,699	4,723	19,422

An impairment loss of £nil (2018: £12.6m) has been recognised to write down the value of the Group assets to the recoverable amount. As described in the accounting policies. the impairment loss is first allocated to reduce the carrying value of goodwill allocated to the GGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

The basis for the annual impairment review of goodwill and other fixed assets and sensitivity analysis can be found in note 13.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Other intangible assets (continued)

During the year, the Group incurred expenditure on qualifying research and development in relation to its software.

There are no intangible assets in the Company Statement of Financial Position.

15. Property, plant and equipment

Group	Freehold land & buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings & equipment £'000	Assets under the course of construction £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 July 2017	2,170	10,700	77,862	1,903	19,351	111,986
Additions	-	499	2,046	5,962	-	8,507
Transfers between categories	-	1,325	2,165	(3,490)	-	-
Disposals	-	(289)	(4,681)	-	(489)	(5,459)
At 30 June 2018	2,170	12,235	77,392	4,375	18,862	115,034
Additions	-	231	3,480	2,024	330	6,065
Transfers between categories	21	(223)	3,119	(2,917)	-	-
Disposals	-	(1,352)	(2,896)	-	(1,707)	(5,955)
At 30 June 2019	2,191	10,891	81,095	3,482	17,485	115,144
Depreciation						
At 1 July 2017	285	3,946	43,171	-	14,976	62,378
Charge for the year	26	853	8,627	-	1,993	11,499
Disposals	-	(207)	(4,530)	-	(489)	(5,226)
Impairment losses	-	-	171	-	-	171
At 30 June 2018	311	4,592	47,439	-	16,480	68,822
Charge for the year	53	794	9,238	-	1,370	11,455
Disposals	-	(654)	(2,143)		(1,704)	(4,501)
Impairment losses	-	-	289	-	-	289
At 30 June 2019	364	4,732	54,823	-	16,146	76,065
Net book value						
At 30 June 2019	1,827	6,159	26,272	3,482	1,339	39,079
At 30 June 2018	1,859	7,643	29,953	4,375	2,382	46,212

The Group has leased various motor vehicles and equipment which are considered to meet the definition of finance leases and are accounted for accordingly. The net book value of assets held under finance leases is £1.3m (2018: £3.3m). Depreciation charged on finance leased assets in the year was £2.0m (2018: £2.8m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Property, plant and equipment (continued)

During the financial year there was an impairment charge of £0.3m (2018: £0.2m). This is recognised in respect of assets where the recoverable value of the asset is considered to be less than the net book value.

Included in freehold land and buildings is £0.7m (2018: £0.7m) of land which is not subject to depreciation.

There is no property, plant and equipment in the Company Statement of Financial Position.

16. Fixed asset investments

	Group £'000	Company £'000
Investment in subsidiaries		
At 1 July 2017	-	164,600
Additions	-	65,000
Impairment	-	(110,600)
At 30 June 2018	-	119,000
At 30 June 2019	-	119,000

The impairment in investment of £Nil (2018: £110.6m) relates to the writing down of the investment held in Yodel Delivery Network Limited following a review undertaken in the previous year. The review considered value in use calculations which used budgeted cash flows extended into perpetuity, a growth rate of 4% and a pre-tax discount rate of 13.1%.

Joint operation

The Collect+ Holdings group, has licensed the use of the 'Collect+' brand to both Drop & Collect Limited and PayPoint plc. In consideration, PayPoint plc and Drop & Collect Limited pay royalties to the joint operation for each parcel they introduce to the Collect+ network. The royalties in the arrangement will then be distributed equally to Yodel Delivery Network Limited and PayPoint plc on a regular basis.

The Company had the following subsidiary and joint operation undertakings at 30 June 2019:

Company Name	Country of incorporation	Class of shares held	Proportion of voting rights held	Nature of business
Directly owned:				
Yodel Delivery Network Limited	England and Wales	Ordinary	100%	One-man parcel delivery
Arrow XL Limited	England and Wales	Ordinary	100%	Two-man delivery and installation, plus warehousing

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Fixed asset investments (continued)

Company Name	Country of incorporation	Class of shares held	Proportion of voting rights held	Nature of business
Indirectly owned:				
Arrow XL (Scotland) Limited	Scotland	Ordinary	100%	Dormant
Drop & Collect Limited	England and Wales	Ordinary	100%	Local store parcel drop off and collection
Parcelpoint Limited	England and Wales	Ordinary	100%	Dormant
HDN (NI) Limited	England and Wales	Ordinary	100%	Dormant
Collect+ Holdings Limited	England and Wales	Ordinary	50%	Holding company
Collect+ Brand Limited	England and Wales	Ordinary	50%	Owns 'Collect+' brand

The registered address of Yodel Delivery Network Limited, Drop & Collect Limited, Parcelpoint Limited and HDN (NI) Limited is 2nd Floor, Atlantic Pavilion, Albert Dock, Liverpool, L3 4AE.

The registered address of Arrow XL Limited is 4 The Fort, Walthew House Lane, Martland Park, Wigan, United Kingdom, WN5 0LB.

The registered address of Arrow XL (Scotland) Limited is Block 9, Unit 2 Roseberry Road, Chapelhall Industrial Estate, Chapelhall, Airdrie, ML6 8QH.

The financial statements of Collect+ Holdings Limited and Collect+ Brand Limited are drawn up to 31 March each year. Their principal place of business is the United Kingdom. The registered address of Collect+ Holdings Limited and Collect+ Brand Limited is 20-22 Wenlock Road, London, United Kingdom, N1 7GU.
Since the balance sheet date, Yodel Delivery Network Limited has sold its interest in this joint operation.

On 24 July 2012 the Company issued share warrants to Amazon EU S.a.r.l. granting the option to purchase ordinary shares of the 100% owned subsidiary Yodel Delivery Network Limited from Logistics Group Limited (previously Yodel Logistics Limited) as follows:

Number of shares	Exercise price	Exercise period
41,250,000	£0.212	24 July 2012 – 24 July 2022

The warrants have not been recognised in the Statement of Financial Position as, in the opinion of the directors, the valuation is not material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Inventories

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Consumables	1,343	1,449	-	-

The directors consider that there is no material difference between the Statement of Financial Position value of inventories and the replacement cost.

The directors consider that the carrying amount of inventories approximates to their fair value.

18. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amounts falling due within one year:				
Trade receivables	46,213	46,874	-	-
Allowance for doubtful debts	(4,159)	(4,472)	-	-
	42,054	42,402	-	-
Amounts due from Group undertakings	111,367	112,467	116,092	110,933
Amounts due from related parties	-	116	-	-
Prepayments and accrued income	9,214	9,222	-	-
Other receivables	1,401	1,092	-	-
	164,036	165,299	116,092	110,933

Amounts due from Group undertakings are unsecured, interest free and repayable on demand. The split of the amounts due from Group undertakings between Parent, Subsidiary and wider group companies can be referenced to Note 32.

On 10 May 2018 the Group entered a non-recourse finance agreement for some of their receivables. The interest rate charged is 3.5%. Once the debt has been transferred to the financing company, the Group is considered to have no further involvement in the debt.

The average credit period on the sale of goods is 41 (2018: 40) days

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Trade and other receivables (continued)

The Group always measures the loss allowance for trade receivables between 30 and 180 days at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors current financial position. In determining the recoverability of a trade receivable the Group considers factors that are specific to the debtor, general economic conditions of the industry in which debtors operate and an assessment of both the current as well as forecast direction of conditions at the reporting date.

The Group has recognised an allowance for doubtful debts of 100% against all receivables over 181 days because historical experience has indicated that these receivables are generally not recoverable.

The Group defines default to be when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery at which point the trade receivable is written off e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Movement in the allowance for doubtful debts:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Balance at 1 July	4,472	3,310	-	-
Increase in provision	1,875	3,603	-	-
Amounts written off during the year	(2,188)	(2,441)	-	-
Balance at 30 June	4,159	4,472	-	-

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Ageing of past due but not impaired receivables 30-180 days	3,860	8,972	-	-

The Group's largest 10 customers accounted for 28% of trade receivables as at 30 June 2019 (2018: 29%).

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £1.9m (2018: £0.5m) due from companies which have been placed into liquidation.

From 1 July 2018 the expected credit loss model has been applied. This had no material impact on the financial statements.

The directors consider that the carrying amount of trade receivables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Borrowings

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Unsecured borrowings at amortised cost				
Bank balance	894	2,101	-	-
Secured borrowings at amortised cost				
Bank loan	174,565	124,699	174,565	124,699
Finance lease liabilities	2,636	4,240	-	-
	177,201	128,939	174,565	124,699
Total borrowings	178,095	131,040	174,565	124,699
Amounts due for settlement within 12 months:				
Finance leases (note 20)	1,041	1,595	-	-
Bank loan	174,565	124,699	174,565	124,699
Bank balance (note 21)	894	2,101	-	-
	176,500	128,395	174,565	124,699
Amounts due for settlement after 12 months:				
Finance leases (note 20)	1,595	2,645	-	-
	1,595	2,645	-	-

Loans are secured by way of a fixed and floating charge over the assets of the Group. Interest is paid on the amount of debt outstanding at a margin over LIBOR of 3.5%.

Banking facilities were renegotiated after the year end so that they now fall due on 31 July 2021. At the Statement of Financial Position date these amounts were due within one year and have therefore been classified accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Finance leases

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Minimum lease payments				
Within one year	1,140	1,749	-	-
In the second to fifth year inclusive	1,644	2,792	-	-
	2,784	4,541	-	-
Less: future finance charges	(148)	(301)	-	-
Present value of lease obligations	2,636	4,240	-	-

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Present value of minimum lease payments				
Within one year	1,041	1,595	-	-
In the second to fifth year inclusive	1,595	2,645	-	-
Present value of lease obligations	2,636	4,240	-	-
Analysed as:				
Amounts due for settlement within 12 months	1,041	1,595	-	-
Amounts due for settlement after 12 months	1,595	2,645	-	-
	2,636	4,240	-	-

It is the Group's policy to lease certain vehicles and other equipment under finance lease. The average lease term is 7 years (2018: 6.7 years). The average lease term remaining is 1.9 years (2018: 2.6 years)

For the year ended 30 June 2019 the average effective borrowing rate was 4.6% (2018: 4.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank overdraft	894	2,101	-	-
Trade payables	29,314	25,130	-	-
Amounts owed to Group companies	2,700	14	2,500	39,057
Amounts owed to related companies	612	-	-	-
Other creditors	7,011	4,367	-	-
Social security and other taxes	6,674	8,055	-	-
Accruals and deferred income	45,633	42,413	481	1,413
Finance leases	1,041	1,595	-	-
	93,879	83,675	2,981	40,470

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

Trade creditors comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 60 (2018: 59) days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Provisions for liabilities

	At 1 July 2018	Charged to the income statement	Utilised during the year	Released to the income statement	At 30 June 2019
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rationalisation	218	1,595	(218)	-	1,595
Dilapidations	2,572	784	(1,481)	(43)	1,832
Vehicle provisions	5,978	8,112	(5,682)	(517)	7,891
Onerous Contract	-	874	-	-	874
Other provisions	7,370	2,058	(4,243)	(441)	4,744
	16,138	13,423	(11,624)	(1,001)	16,936

The rationalisation provision relates to redundancy and is expected to be utilised during the next financial year.

The dilapidations provision relates to the cost of restoring sites expected to be closed to their original condition and is expected to be utilised in the next financial year.

Vehicle provisions relate to returning leased vehicles in their previous condition, insurance and accident claims which are expected to be utilised over the next three years.

The Onerous contract provision relates to an IT Contact where the service has now been re-written in house. The aggregate cost required to fulfil the contract is deemed higher than the economic benefit to be obtained from it.

Other provisions relate to other insurance and legal claims, and are expected to be utilised over the next five years.

There are no provisions in the Parent Company's Statement of Financial Position.

23. Deferred income due in greater than one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deferred income due in greater than one year	-	1,115	-	-

Deferred income due in greater than one year relates to insurance proceeds from the Worcester fire.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Deferred taxation asset

The total asset recognised and the total potential asset for deferred taxation are as follows:

	2019 £'000	2018 £'000
Group		
Fixed asset timing differences	24,776	23,199
Short term timing differences	2,454	3,365
Capital losses	255	255
Trading losses	44,741	53,679
Deferred tax asset	72,226	80,498
Deferred tax asset not recognised	(72,226)	(80,498)
Deferred tax asset recognised	-	-

At 30 June 2019 deferred tax assets of £72.2m (2018: £80.5m) have not been recognised due to insufficient certainty over the recoverability of this asset by the relevant companies within the Group.

25. Called-up share capital

Group and Company	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
971,000,000 Ordinary shares of £1 each	971,000	971,000

In the previous financial year, on 27 June 2018 the Company allotted 115,000,000 ordinary shares with aggregate nominal value of £1. The shares were issued at par and have been fully paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Reserves

	Retained earnings £'000
Group	
At 1 July 2017	(760,793)
Loss for the financial year	(116,805)
Remeasurement of net defined benefit liability	10,656
Impact of pension scheme buy-in	(10,600)
At 30 June 2018	(877,542)
Loss for the financial year	(67,537)
Remeasurement of net defined benefit liability	114
Impact of pension scheme buy-in	3,300
Tax on pension scheme	(1,158)
At 30 June 2019	(942,823)
Company	
At 1 July 2017	(789,819)
Loss for the financial year	(116,417)
At 30 June 2018	(906,236)
Loss for the financial year	(7,218)
At 30 June 2019	(913,454)

27. Merger reserve

Group	2019 £'000	2018 £'000
At 1 July and 30 June	91,000	91,000

The merger reserve was created on acquisition of shares in Yodel Delivery Network Limited and Arrow XL Limited on 29 June 2012 by the Company, which were combined to form one Group with Logistics Group Limited (previously Yodel Logistics Limited) as the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Notes to the cash flow statement

	Group 2019 £'000	2018 £'000
Reconciliation of operating loss to cash flows from operating activities		
Operating loss for the financial year	(66,473)	(110,476)
Adjusted for:		
Impairment of goodwill	-	21,487
Impairment loss on property, plant and equipment	289	171
Impairment of other intangible assets	-	12,600
Depreciation of property, plant and equipment	11,455	11,499
Amortisation of intangible assets	4,377	10,376
Loss on disposal of property, plant and equipment	1,245	181
Loss on disposal of intangible assets	63	189
Operating cash flow before movement in working capital	(49,044)	(53,973)
Decrease/ (increase) in inventories	106	(18)
Decrease/ (increase) in receivables	1,173	(34,152)
Increase/ (decrease) in payables	12,587	(1,975)
Increase/ (decrease) in provisions	799	1,090
Operating cash flow	(34,379)	(89,028)
Tax received	6,263	-
Cash used in operations	(28,116)	(89,028)
Cash and cash equivalents		
Cash and bank balances	331	3,135
Bank overdraft	(894)	(2,101)
	(563)	1,034

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank balances.

Tax received by the Group during the year relates to amounts received in respect of tax losses surrendered to a fellow subsidiary of the Group's ultimate parent.

Effects of exceptional items on cash used within operations

Included within cash used in operations are net cash outflows relating to exceptional income and expenditure of £6.2m (2018: £18.0m). Impairment of goodwill and other intangible assets are considered to be non-cash adjustments to cash used in operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Notes to the cash flow statement (continued)

Reconciliation of net debt

	Balance at 1 July 2018	Interest and amortisation	Cash flows	Balance at 30 June 2019
	£'000	£'000	£'000	£'000
Finance leases	(4,240)	(154)	1,758	(2,636)
Cash	3,135	-	(2,804)	331
Bank balance	(2,101)	-	1,207	(894)
Loan	(124,699)	134	(50,000)	(174,565)
	(127,905)	(20)	(49,839)	(177,764)

29. Operating lease arrangements

At the Statement of Financial Position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	Vehicles	
	2019	2018
	£'000	£'000
Within one year	9,932	10,175
In the second to fifth years inclusive	14,667	14,286
After five years	297	-

	Properties	
	2019	2018
	£'000	£'000
Within one year	17,366	15,302
In the second to fifth years inclusive	51,455	37,573
After five years	50,252	39,273

Operating lease payments represent rentals payable by the Group for certain of its properties with an average lease term of 11.7 years (2018: 10.0 years) and other items of equipment with an average lease term of 3.8 years (2018: 3.6 years).

The Parent Company has no operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes

Defined contribution scheme

The Group has established and operates a contributory pension scheme for all employees; the Yodel Delivery Network Limited Group Personal Pension Plan. This defined contribution scheme is in compliance with employer pension duties in accordance with part 1 of the Pensions Act 2008, including auto enrolment requirements.

Contributions to the defined contribution schemes are also charged to the Income Statement. The total cost of the contributions to all the schemes within these accounts amounted to £4.5m (2018: £4.0m). At 30 June 2019 there were pension contributions payable of £0.9m (2018: £0.8m).

Defined benefit schemes

There are three main elements of the defined benefit pension schemes, namely the Scheme, the Plan and Ex-gratia, which are set out and defined below. A combined summary of these elements is shown below.

	2019 £ m	2018 £ m
Scheme and Plan - defined benefit pension scheme deficit	(3.8)	(4.8)
Ex-gratia - present value of scheme liabilities	(1.3)	(1.1)
Retirement benefit obligations	(5.1)	(5.9)
Scheme & Plan - amounts taken to the Statement of Comprehensive Income	3.5	(0.1)
Ex-gratia – amounts taken to the Statement of Comprehensive Income	(0.1)	0.2
Gain recognised in the Statement of Comprehensive Income	3.4	0.1

Shop Direct Group Limited Pension Plan ("Plan") and The Littlewoods Pensions Scheme ("Scheme")

The company participates in the following pension arrangements:

The Littlewoods Pensions Scheme ("Scheme"), which is a defined benefit arrangement based on final pensionable salaries. The pension scheme is set up under trust and the assets of the scheme are held separately from those of the company. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed by the parent undertaking and all other Shop Direct Holdings Limited group companies and the Scheme Trustee. The Scheme was closed to new entrants with effect from 1 October 2001 and is closed to future accrual.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes (continued)

From 1 December 2003 certain employees of the company were eligible for membership of the Shop Direct Group Limited Pension Plan ("Plan"). The Plan was set up following the acquisition by Shop Direct Holdings Limited of the UK home shopping businesses from GUS plc. The Plan is a defined benefit arrangement based on final pensionable salaries, the assets of which are held in a separate trustee administered fund. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed between the company and the Plan Trustee. The Plan was closed to new entrants with effect from 28 February 2011 and was closed to future accrual.

From 1 October 2001 certain employees of the company were eligible for membership of funded defined contribution stakeholder pension schemes to which employees and the company contribute.

In the prior year the Shop Direct Limited Group completed buy-in agreements for both the Shop Direct Group Limited Pension Plan ("Plan") and the Littlewoods Pension Scheme ("Scheme"). The buy-ins were completed on 30 November 2017 and 31 May 2018. On 9 November 2018 the Group completed the buy-out of the Plan, fully extinguishing the liability and on 20 February 2019 a surplus of £3.3m crystallised. A subsequent tax charge of £1.2m was charged against this giving a net surplus of £2.1m This has been recognised in the Statement of Comprehensive Income.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £ m	2018 £ m
Fair value of scheme assets	106.7	110.7
Present value of scheme liabilities	(93.9)	(91.0)
	12.8	19.7
Restrictions on asset recognised	(12.8)	(19.7)
IFRIC 14 liability	(3.8)	(4.8)
Defined benefit pension scheme deficit	(3.8)	(4.8)

Scheme assets
Changes in the fair value of scheme assets are as follows:

	2019 £ m	2018 £ m
Fair value at start of year	110.7	125.6
Interest income	2.9	3.2
Return on plan assets, excluding amounts included in interest income/(expense)	8.8	(10.9)
Employer contributions	(2.2)	1.2
Benefits paid	(4.6)	(8.3)
Current service cost	(0.1)	(0.1)
Settlement of plan assets	(8.8)	-
Fair value at end of year	106.7	110.7

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes (continued)

Analysis of assets
The major categories of scheme assets are as follows:

	2019 £ m	2018 £ m
Cash and cash equivalents	5.4	6.8
Equity instruments	-	2.5
Debt instruments	35.1	26.7
Real estate	-	6.7
Derivatives	3.6	1.5
Investment funds	9.6	12.2
Assets held by insurance company	53.0	54.3
	106.7	110.7

The assets held by the insurance company are in respect of the Scheme buy-in that has completed during the year. The assets are equal to the value of the insured pensioner liabilities on an IAS19 basis as at 30 June 2018.

Actual return on scheme's assets

	2019 £ m	2018 £ m
Actual return on scheme assets	(11.6)	(7.7)

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £ m	2018 £ m
Present value at start of year	(91.0)	(100.4)
Past service credit	-	0.1
Interest cost	(2.3)	(2.5)
Benefits paid	4.6	8.3
Actuarial (losses)/gains	(5.2)	3.5
Present value at end of year	(93.9)	(91.0)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2019 %	2018 %
Rate of increase in pensionable salaries	2.6	2.0
Rate of increase in pensions in payment if RPI 5%	3.2	2.9
Rate of increase in pensions in payment if RPI 2.5%	2.2	2.0
Discount rate	2.3	2.8
Rate of increases in pensions in deferment	2.6	2.0
RPI inflation assumption	3.4	3.0
CPI inflation assumption	2.6	2.0

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	22.3	22.1
Current UK pensioners at retirement age - female	23.8	23.5
Future UK pensioners at retirement age - male	23.9	23.3
Future UK pensioners at retirement age - female	25.4	24.8

Amounts recognised in the income statement

	2019 £ m	2018 £ m
Amounts recognised in operating profit		
Current service cost	(0.1)	(0.2)
Past service credit	-	0.1
Amounts recognised in finance income or costs		
Net interest	(0.1)	(0.1)
Total recognised in the income statement	(0.2)	(0.2)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	2019 £ m	2018 £ m
Return on plan assets, excluding amounts included in interest income/ (expense)	5.5	(0.2)
Impact of buy-out/ buy-in of Scheme and Plan	3.3	(10.6)
Actuarial (losses)/ gains from changes in demographic assumptions	(2.6)	0.1
Actuarial (losses)/ gains from changes in financial assumptions	(11.5)	3.8
Actuarial gains from experience adjustments	0.2	(0.4)
Adjustments for restrictions on the defined benefit asset	8.5	7.2
Amounts recognised in the Statement of Comprehensive Income	3.4	(0.1)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £0.1m (2018: £0.1m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £0.1m (2018: £0.1m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £0.1m (2018: £0.1m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £0.1m (2018: £0.1m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the processes used by the company to manage its risks from prior years.

The company does not expect to contribute to the defined benefit scheme during the next financial year as agreed with the trustees, given the Scheme's surplus.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Retirement benefit schemes (continued)

An ex-gratia arrangement was originally set up to provide a benefit at retirement to employees who were not members of the GUS Pension Scheme. During 1998, GUS introduced a new money purchase scheme. All employees not already members of the final salary scheme were invited to join and those who did ceased accrual within the ex-gratia arrangement; the remainder continue to accrue benefits. No new employees have been granted membership of the ex-gratia arrangement since the introduction of the GUS Money Purchase Scheme in 1998. The arrangement is unfunded and provides a lump sum on retirement for employees in service at that time. The Group makes benefit payments directly as they fall due.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £ m	2018 £ m
Present value of scheme liabilities	1.3	1.1

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £ m	2018 £ m
Present value at start of year	(1.1)	(1.3)
Interest cost	(0.1)	-
Actuarial (losses)/ gains	(0.1)	0.2
Present value at end of year	(1.3)	(1.1)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are materially the same as disclosed above for the Scheme and Plan.

Amounts recognised in the income statement

	2019 £ m	2018 £ m
Amounts recognised in finance income or costs		
Net interest	(0.1)	(0.1)
Total recognised in the income statement	(0.1)	(0.1)

Amounts taken to the Statement of Comprehensive Income

	2019 £ m	2018 £ m
Actuarial (losses)/ gains	(0.1)	0.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Cash and cash equivalents	331	3,135	-	-
Loans and receivables	153,421	154,985	116,092	110,933
Total financial assets	153,752	158,120	116,092	110,933
Financial liabilities				
Financial liabilities at amortised cost	(210,721)	(156,184)	(177,065)	(163,756)
Total financial liabilities	(210,721)	(156,184)	(177,065)	(163,756)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 2019 £'000	Group 2018 £'000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	6,564	5,362

For the above financial instruments, fair value is equal to historical cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Financial instruments (continued)

The Group's financial instruments comprise cash and various items such as trade receivables and trade payables which arise directly from the Group's operations. It is, and has been throughout the year under review, the Group's policy that speculative trading in financial instruments is prohibited.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the year.

(a) Interest rate risk
The Group is exposed to interest rate risk because the entities in the Group borrow funds which include a floating interest rate.

(b) Liquidity risk
The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

(c) Market price risk
The Group's exposure to market price risk comprises interest rate exposure.

If the floating interest rate is 25 basis points higher /(lower), borrowing costs would increase/(decrease) by £0.4m (2018: £0.3m).

(d) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Financial instruments affected by market risk include bank deposits, trade receivables and trade payables and any changes in market variables including exchange and interest rates will have an immaterial effect on these instruments.

(e) Interest risk management
The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. The exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowing which is reviewed on an ongoing basis. Financial instruments are held in the consolidated Balance Sheet at their fair value.

(f) Capital risk management
The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Related party transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Littlewoods Clearance Limited	127	156	-	-
Shop Direct Home Shopping Limited	117,661	113,966	5,851	5,472
Shop Direct Financial Services Limited	1,640	-	2	4
Shop Direct Ireland Limited	9,564	10,581	-	-
Yodel Properties Limited	-	-	1,474	1,466
St James's Street Property Management Limited	-	-	352	-

	Amounts owed by group undertakings		Amounts owed to group undertakings	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Littlewoods Clearance Limited	-	8	-	-
Shop Direct Home Shopping Limited	-	678	(1,903)	-
Shop Direct Financial Services Limited	-	-	-	(1)
Shop Direct Ireland Limited	983	848	-	-
Yodel Properties Limited	-	-	(13)	(13)
Access Park Management Company Limited	1	-	-	-
Logistics Group Holdings Limited (previously Yodel Distribution Holdings Limited)	110,383	110,933	-	-
St James's Street Property Management Limited	-	-	(784)	-
	Amounts owed by related parties		**Amounts owed to related parties**	
Collect+ Brand Limited	-	116	(62)	-
Collect+ Holdings Limited	-	-	(550)	-

Collect+ Holdings Limited is a related party as it is a 50% owned joint operation of Yodel Delivery Network Limited, a 100% owned subsidiary of the Company. Collect+ Brand Limited is a wholly owned subsidiary of Collect+ Holdings Limited. Since the balance sheet date, Yodel Delivery Network Limited has sold its interest in this joint operation.

All of the other companies listed above are members of the ultimate parent company, L W Corporation Limited's group of companies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Related party transactions (continued)

During the year the Company received funding of £3.8m from its parent company Logistics Group Holdings Limited (previously Yodel Distribution Holdings Limited) (2018: £77m). Interest charged on this was £nil (2018: £nil).

During the year the Company provided funding of £3.8m to its subsidiary company Yodel Delivery Network Limited (2018: £77m). Interest charged on this was £nil (2018: £nil).

Remuneration of key management personnel

Logistics Group Limited (previously Yodel Logistics Limited) is a holding company and therefore does not itself have any key management personnel, other than the directors. See note 9 for further details of directors' emoluments. Remuneration of key management personnel of the trading divisions are disclosed in their individual financial statements.

33. Capital commitments

The Group has committed to £2.0m of capital expenditure on the rebuild of the Arrow XL Worcester site, following the fire in 2017.

34. Events after the balance sheet date

On 30 January 2020, the spread of Covid-19 was declared a public health emergency by the World Health Organisation. The impact of Covid-19 has been considered as a non-adjusting post balance sheet event, in accordance with IAS 10, and therefore any impact would be recorded prospectively in the June 2020 financial statements. With the information available as at the date of approval of the financial statements it is not anticipated that Covid-19 will have a material impact on the carrying value of assets and liabilities of the company.

35. Ultimate controlling party

The immediate holding Company is Logistics Group Holdings Limited (previously Yodel Distribution Holdings Limited), a company registered in England and Wales. The smallest Group into which the results of the Company are consolidated is Logistics Group Limited (previously Yodel Logistics Limited). The registered office of Logistics Group Limited is Second Floor, Atlantic Pavilion, Albert Dock, Liverpool, L3 4AE.

The largest group of which the Company is a member that produces publicly available consolidated financial statements is Logistics Group Holdings Limited, a company registered in England and Wales, which the directors regard as ultimately controlled by Sir David Barclay and Sir Fredrick Barclay Family Settlements.

The registered office of Logistics Group Holdings Limited is Second Floor, Atlantic Pavilion, Albert Dock, Liverpool, L3 4AE. The financial statements are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The results of Logistics Group Holdings Limited are consolidated into LW Corporation Limited a company whose registered address is Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE2 3QT.