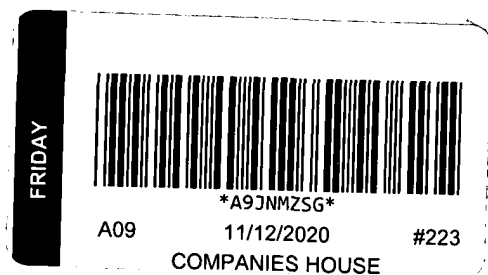


Company Registration No. 04358875

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL
STATEMENTS

for the year ended 30 June 2020



ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

DIRECTORS

A S Barclay
H M Barclay
P L Peters
R J Neal
C M Shiels

COMPANY NUMBER

04358875

REGISTERED OFFICE

No. 4 The Fort
Martland Mill Lane
Wigan
United Kingdom
WN5 0LZ

INDEPENDENT AUDITOR

Deloitte LLP
London
United Kingdom

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

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STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 June 2020.

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 2020, which this year fell on 27 June (2019: 29 June), therefore the results in the Income Statement are for a 52-week period (2019: 52-week period).

Principal activities and business review

The principal activity of the Company is the provision of two-person home delivery and installation services, together with related transport activities and warehousing. Arrow XL Limited warehouses, delivers and installs large products such as white goods and furniture in the United Kingdom. Clients include a diverse range of retail and other related businesses.

The Company operates under the brand name "ArrowXL".

The Consolidated Income Statement set out on page 15 shows a loss for the year after tax of £465,000 (2019: profit of £62,000). The Group and Company's financial position are set out on pages 17 and 18. For the year ended 30 June 2020 the Group and Company have applied IFRS 16 (see Note 2 to the Financial Statements) which naturally results in a substantial increase in reported EBITDA (Earnings before interest, taxation, depreciation, amortisation and pre non-fire exceptional items).

	2020 £'000	2019 £'000
EBITDA post IFRS 16 and pre non-fire exceptional items	8,738	8,468
EBITDA pre IFRS 16 and non-fire exceptional items	3,476	3,205

On 30 January 2020 the spread of Covid-19 was declared a public health emergency by the World Health Organisation and subsequently the UK Government implemented a national 'lockdown' on the 23 March 2020. As a result of the pandemic, the Company has experienced the following:

- a shift in sales mix to more garden and home office/gym products;
- cessation of 'in-house' installation and assembly services;
- strong trading throughout the 'lockdown' period and to date as many businesses necessarily moved volumes to on-line sales channels; and
- operational challenges resulting from increased absenteeism, coupled with the need to maintain social distancing where practically possible in line with government guidelines.

Throughout the Covid-19 pandemic, ArrowXL has continued to offer an industry leading customer service to its growing portfolio of clients and the directors are highly appreciative of the support and dedication of all colleagues, suppliers and clients through these unprecedented times. Operational working practices have necessarily been modified as a result of the pandemic, with the implementation of social distancing, the provision of personal protective equipment (PPE) and hand sanitiser, plus new cleaning regimes as common practice. The customer delivery experience has also been modified to ensure that PPE is constantly in use and that safe distances are maintained for all individuals involved in the process.

STRATEGIC REPORT (CONTINUED)

Principal activities and business review (continued)

It is clearly extremely difficult to quantify the on-going impact of Covid-19 on the Company. However, the Company's forecasts continue to be regularly stress tested for a number of scenarios and the Company has successfully to date deployed strategies and tools to closely manage cash flows and mitigate any issues. Actions taken by the Company include cost management, tight management of capital spend and trade debtor management.

ArrowXL remains committed to achieving customer excellence and aspires to 'make each and every customer feel special'. Service levels throughout the Covid-19 pandemic have continued to be excellent, indeed in November 2020 ArrowXL had a Trustpilot Score of 4.5 (out of 5) and was ranked 'Excellent'. The directors recognise that it is critical ArrowXL is an employer of choice, in what is a high customer service industry, indeed our culture and values are set up to deliver the highest service levels in our sector.

Outlook

ArrowXL continues to focus on providing excellent client and customer service and product offerings, together with winning profitable new accounts.

In addition, 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.

ArrowXL invested a total of £3.8m in fitting out the new Worcester Hub which opened in October 2019 and in September 2020 successfully replaced the old Enfield Hub with a new build facility that has been fitted out to a similar industry leading standard, including High-Bay racking for warehousing, with investment totalling £1.9m.

The directors are confident that ArrowXL will show further significant financial improvement in the year ending June 2021 and indeed will be profitable on EBITDA and Profit before Tax Basis.

The Shareholder remains supportive of ArrowXL and is committed to its success.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy is 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 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, which should be mitigated by ensuring the required customs procedures are in place where necessary and staff receiving the appropriate training;
- business disruption from the Covid-19 pandemic as discussed above and further in the Directors' Report, which should be mitigated by ensuring operational practices meet the required Government standards thereby allowing the business to continue to operate safely and efficiently;

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

- market de-stabilisation caused by aggressive and distressed competitor activity, mitigated by ensuring the Business continues to deliver industry leading service levels and distinguishes itself as a valued and trusted delivery partner;
- changes in the regulatory environment specifically in relation to temporary workers and the long-term use of certain Consultants; and
- 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, mitigated by ongoing investment in core IT infrastructure and security.

Section 172(1) statement

In accordance with the Companies Act 2006, the directors provide the following details describing how they have had regard to the matters set out in section 172(1), when performing their duties to promote the success of the Company.

Section 172(1)	Decisions / Interactions
a) The likely consequences of any decision in the long term	The Board annually approves the Budget and 3 Year Plan and monitors its implementation throughout the year utilising detailed reports on operating and financial performance.
b) The interests of the Company's employees	Employees' interests are discussed in the Directors' Report and form part of the ongoing management of the Company.
c) The need to foster the Company's business relationships with suppliers, customers and others	<p>The directors acknowledge the importance of its suppliers, both in maintaining daily operational excellence and their contribution toward achieving the Company's long-term goals. The business actively manages key supplier relationships throughout the year.</p> <p>The directors monitor how the Company engages with its customers utilising a variety of measures, including Customer Satisfaction (CSAT), Trustpilot and other channels. Customer feedback is constantly reviewed and used to drive higher customer service standards.</p>
d) The impact of the Company's operations on the community and the environment	<p>The Company operates a fleet of c.200 delivery vehicles and the directors recognise that this has an environmental impact. As vehicles are replaced, the Company strives to ensure they are compliant with the latest environmental standards.</p> <p>The Company produces a significant amount of waste, including cardboard, plastic, polystyrene and wood. The Company operates strict waste management practices including waste segregation and recycling in accordance with environmental standards.</p>
e) The desirability of the Company maintaining a reputation for high standards of business conduct	The directors consider the reputation of the Company to be of paramount importance. The Board is committed to employing a workforce that adequately reflects society. The directors have approved Company policies on Anti-Bribery & Corruption, Anti-Bullying & Harassment, Equality & Diversity and Whistleblowing.

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

STRATEGIC REPORT (CONTINUED)

Section 172(1) statement (continued)

f) The need to act fairly between other members of the Group	ArrowXL are part of the LW Corporation Limited Group (LWC). The directors ensure that the strategy, priorities, processes and practices are aligned as appropriate where required, thereby ensuring the interests of LWC are duly acknowledged.
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The Strategic Report has been approved and authorised for issue by the Board of Directors.



R J Neal
Director
30 November 2020

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

DIRECTORS' REPORT

The directors present their report and audited financial statements of the Group for the year ended 30 June 2020.

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
R J Neal
C M Shiels

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Going concern

The basis of the directors' conclusion on going concern is set out in Note 3 to the financial statements. The directors have reviewed the financial position alongside the cash flow forecasts and conclude that the going concern basis for accounting is still appropriate.

Future Developments

Future developments are discussed within the 'Outlook' section of the Strategic Report.

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 (2019: £nil).

Employee involvement

There is a strong 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 other 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 Company continues and that appropriate training is

DIRECTORS' REPORT (CONTINUED)

Disabled Employees (continued)

arranged. It is the policy of the Company 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 Company 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 Company.

Business relationships

Business relationships of the Company are discussed within the Strategic Report as part of the Section 172 statement.

Approach to corporate governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2018 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 30 June 2020, the Group has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at frc.org.uk. The following section explains the Group's approach to corporate governance, and its application of the principles.

Principle 1 – Purpose and leadership

The Board is responsible for defining the Company's purpose and ensuring a coherent and effective strategy is developed and implemented. The Board prepare an annual Budget and a 3 Year Plan each year, clearly articulating the financial and business objectives. Performance against the Budget and the 3 Year Plan are closely monitored throughout the year and corrective action is taken when required. The Board ensure the strategy, values and purpose are aligned.

Principle 2 – Board composition

The Board and Executive Team comprises of directors and Senior Managers with considerable professional and industry expertise. Board members and the Executive Team meet regularly and are expected to contribute fully. The size of the Board and wider Executive Team is considered to be consistent with the scale and complexity of the Company.

The Board is committed to developing a more diverse workforce and new appointments are made in line with the Equalities Act 2010.

Principle 3 – Directors' responsibilities

The directors assume ultimate responsibility for the affairs of the Company and along with the senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including effective management of delegation through related Company processes. Policies are in place in relation to potential conflicts of interest which may arise.

DIRECTORS' REPORT (CONTINUED)

Approach to corporate governance (continued)

Principle 4 – Opportunity and risk

The Board has a clear and comprehensive understanding of how ArrowXL creates and preserves value in the long-term. The directors fully consider opportunities as they present themselves and assess those against the Group's stated strategy and appetite for risk, progressing those that meet the required criteria.

The Board equally acknowledge the importance of effective risk management. The Company maintains a corporate risk register which identifies all plausible risks. The register is reviewed regularly and mitigating steps are taken to ensure risks are highlighted and effectively managed.

Principle 5 – Remuneration

The Board have established clear policies on staff remuneration and organisation structure. The directors, senior management and staff are remunerated commensurate with their experience, technical expertise and their relative position within the Company. A Company wide pay review is undertaken annually to ensure staff are remunerated in line with the prevailing market rates. Staff incentive schemes have been put in place to ensure staff are appropriately incentivised and aligned with the Company's strategy and stated objectives. Incentive payments are only awarded when operational and financial targets have been met.

Principle 6 – Stakeholders

The Company has identified several important stakeholders whose relationships with ArrowXL are critical to the success of the business. These include the workforce, suppliers, customers, industry regulators and Government. As noted in the Strategic Report the Board maintains a close relationship with the stakeholders through open and constructive feedback, ensuring their perspective is considered and acted upon as appropriate.

Streamlined Energy and Carbon Reporting

The strategy of the Company is to plan for carbon reduction and to meet the Government's Net Zero carbon emissions target for 2050, indeed, this forms part of the Company's Corporate Social Responsibility strategy. As part of the strategy the Company will continue to invest in new technologies that will produce favourable outcomes.

The Company has reviewed its energy efficient strategies and key measures have been put in place as follows:

- *Use of the newest fleet vehicles which all are Euro 6 compliant*

The entire ArrowXL fleet of delivery vehicles and tractor units are now, on average less than two years old and meet all the requirements of Low Emission Zones (LEZ) and Ultra Low Emission Zones (ULEZ), meaning that our customers know that their deliveries are being made meeting all the UK transport requirements.

- *Pro-active approach to energy usage and waste;*

A range of measures have been undertaken to improve the environmental performance of our Hub and out-base network to reduce energy usage:

DIRECTORS' REPORT (CONTINUED)

Streamlined Energy and Carbon Reporting (continued)

- a programme has been started to install LED lighting into our network;
- the use of passive infrared sensor (PIR) lighting systems throughout our network to ensure lights are only used when required;
- extensive recycling of waste packaging at all Hubs;
- confidential waste bins have been introduced to ensure all wastepaper is recycled; and
- printing waste has been reduced through the use of "follow me" printing whereby the user confirms on the printer that documents are still required at the point of printing out.

The table below shows the Company's UK energy usage and greenhouse emissions (Scope 1,2 and 3) over its 17 UK locations as follows:

1 UK energy usage			
Oil	kWh		6,210
Electricity	kWh		3,552,518
Gas	kWh		498,642
2 Greenhouse gas emissions – Scope 1,2 & 3			
Oil	Tonnes		6
Electricity	Tonnes		899
Gas	Tonnes		511
Fuel	Tonnes		12,874
Mileage	Tonnes		127
3 Emission intensity ratio			
Tonnes CO ₂ e* - per thousand consignments delivered			6.51

**tonnes of carbon dioxide equivalent*

The World Resources Institute Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2015) and UK Government GHG Conversion Factors for Company Reporting Year 2020 Version 1 2020 have been used to convert activity emissions into tonnes of carbon dioxide equivalent (CO₂e). The methodology also complies with ISO14064-1:2018 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gases emissions and removals.

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.

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

DIRECTORS' REPORT (CONTINUED)

Statement of disclosure to auditor (continued)

- 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 Company'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.

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

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).

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

DIRECTORS' REPORT (CONTINUED)

Events after the Statement of Financial Position date

There were no events after the Statement of Financial Position date that require disclosure. As noted in the Strategic Report the emergence of Covid-19 in January 2020 was a known event at the financial year end.

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



R J Neal
Director
30 November 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 ARROW XL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Arrow XL Limited (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2020 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 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 Company Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Company Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Company Cash Flow Statement; and
- the related notes 1 to 30.

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW XL 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 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 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.

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW XL 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
30 November 2020

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2020 £'000	2019 £'000
Revenue	5	90,285	88,158
Cost of sales		(65,263)	(68,519)
Gross profit		25,022	19,639
Operating expenses		(23,406)	(20,726)
Exceptional income	6	1,080	2,796
Operating exceptional items	7	(1,607)	(1,625)
Operating profit	8	1,089	84
Finance costs	10	(1,554)	(22)
(Loss)/ profit before tax		(465)	62
Tax	11	-	-
(Loss) / profit for the year		(465)	62

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

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 £'000	2019 £'000
(Loss) / profit and total comprehensive income for the year	(465)	62

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	13	2,677	2,895
Property, plant and equipment	14	8,054	10,244
Right of use assets	19	32,024	-
Total non-current assets		42,755	13,139
Current assets			
Inventories	16	36	73
Trade and other receivables	17	18,181	22,130
Cash at bank and in hand		3,148	290
Total current assets		21,365	22,493
Total assets		64,120	35,632
Equity and liabilities			
Current liabilities			
Trade and other payables	18	18,491	23,493
Lease liabilities	19	3,434	-
Current liabilities		21,925	23,493
Non-current liabilities			
Provisions for liabilities	20	2,838	3,227
Lease liabilities	19	30,910	-
Non-current liabilities		33,748	3,227
Equity			
Called-up share capital	22	5,000	5,000
Retained earnings	23	3,447	3,912
Total equity and reserves		8,447	8,912
Total equity and liabilities		64,120	35,632

The financial statements of Arrow XL Limited, Company number 04358875, were approved and authorised for issue by the Board of Directors on 30 November 2020 and were signed on its behalf.



R J Neal
Director



C M Shiels
Director

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	13	2,677	2,895
Property, plant and equipment	14	7,530	9,720
Right of use assets	19	32,024	-
Investment in subsidiaries	15	5,019	5,019
Total non-current assets		47,250	17,634
Current assets			
Inventories	16	36	73
Trade and other receivables	17	18,181	22,130
Cash at bank and in hand		3,148	290
Total current assets		21,365	22,493
Total assets		68,615	40,127
Equity and liabilities			
Current liabilities			
Trade and other payables	18	26,042	31,044
Lease liabilities	19	3,434	-
Current liabilities		29,476	31,044
Non-current liabilities			
Provisions for liabilities	20	2,838	3,227
Lease liabilities	19	30,910	-
Non-current liabilities		33,748	3,227
Equity			
Called-up share capital	22	5,000	5,000
Retained earnings	23	391	856
Total equity and reserves		5,391	5,856
Total equity and liabilities		68,615	40,127

The Company reported a loss for the financial year ended 30 June 2020 of £465,000 (2019: £62,000 profit).

As permitted by s408 of the Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the Company. The financial statements of Arrow XL Limited, Company number 04358875, were approved and authorised for issue by the Board of Directors on 30 November 2020 and signed on its behalf.



R J Neal
Director



C M Shiels
Director

ARROW XL LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
For the year ended 30 June 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders		
	Called-up share capital	Retained earnings	Total
<i>Notes</i>	22	23	
	£'000	£'000	£'000
At 1 July 2018	5,000	3,850	8,850
Profit and total comprehensive income for the year	-	62	62
At 30 June 2019	<u>5,000</u>	<u>3,912</u>	<u>8,912</u>
Loss and total comprehensive expense for the year	-	(465)	(465)
At 30 June 2020	<u>5,000</u>	<u>3,447</u>	<u>8,447</u>

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COMPANY STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders		
	Called-up share capital	Retained earnings	Total
<i>Notes</i>	22	23	
	£'000	£'000	£'000
At 1 July 2018	5,000	794	5,794
Profit and total comprehensive income for the year	-	62	62
At 30 June 2019	<u>5,000</u>	<u>856</u>	<u>5,856</u>
Loss and total comprehensive expense for the year	-	(465)	(465)
At 30 June 2020	<u>5,000</u>	<u>391</u>	<u>5,391</u>

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CONSOLIDATED CASH FLOW STATEMENT

	<i>Notes</i>	2020 £'000	2019 £'000
Net cash flows from operating activities	24	9,813	1,715
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,331)	(2,965)
Purchase of intangible assets		(752)	(1,263)
Net cash used in investing activities		(2,083)	(4,228)
Cash flows from financing activities			
Repayment of leases		(4,495)	-
Repayment of interest		(1,554)	(22)
Proceeds from loans and borrowings		1,177	-
Net cash used in financing activities		(4,872)	(22)
Net increase / (decrease) in cash and cash equivalents		2,858	(2,535)
Cash and cash equivalents at the start of the year		290	2,825
Cash and cash equivalents at the end of the year	24	3,148	290

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COMPANY CASH FLOW STATEMENT

	<i>Notes</i>	2020 £'000	2019 £'000
Net cash flows from operating activities	24	9,813	1,415
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,331)	(2,665)
Purchase of intangible assets		(752)	(1,263)
Net cash used in investing activities		(2,083)	(3,928)
Cash flows from financing activities			
Repayment of leases		(4,495)	-
Repayment of interest		(1,554)	(22)
Proceeds from loans and borrowings		1,177	
Net cash used in financing activities		(4,872)	(22)
Net increase / (decrease) in cash and cash equivalents		2,858	(2,535)
Cash and cash equivalents at the start of the year		290	2,825
Cash and cash equivalents at the end of the year	24	3,148	290

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.

Arrow XL Limited is a private Company limited by shares and 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 2020, which this year fell on 27 June (2019: 29 June).

For the year ended 30 June 2020 the following subsidiary of the Company was entitled to exemption from audit under s480 of the Companies Act 2006 relating to subsidiary companies;

Company name	Registration number
Arrow XL (Scotland) Limited	SC093044

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 16 Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016). 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 has superseded the previous lease guidance including IAS 17 Leases and the related Interpretations.

The date of initial application of IFRS 16 for the Group is 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). The transition provisions of IFRS 16 allow an entity not to restate comparatives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Adoption of new and revised Standards

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

Impact of initial application of IFRS 16 Leases (continued)

General impact of application of IFRS 16 Leases

Impact of the new definition of a lease

The Group has made 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 has applied 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).

Impact on Lessee Accounting

Operating leases

IFRS 16 has changed how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

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

- a) recognised 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;
- b) recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
- c) separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated Cash Flow Statement.

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 16 Leases (continued)

Lease incentives (e.g. rent-free period) have been 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 have been tested for impairment in accordance with IAS 36 *Impairment of Assets*. This has replaced 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 has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Finance leases

On initial application the Group has presented 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, has been presented in a separate line for lease liabilities. This change did not have a material effect on the Group's consolidated financial statements

Financial impact of initial application of IFRS 16

Impact on Group profit / (loss) for the year

	2020 £'000
Decrease in operating expenses	5,263
Increase in depreciation and amortisation expense	(4,446)
Increase in finance costs	(1,534)
	<hr/>
Increase in loss before tax	(717)
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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 16 Leases (continued)

Impact on Group assets, liabilities and equity as at 1 July 2019

	As previously reported	IFRS16 adjustments	As restated
Right of use assets	-	13,828	13,828
Total assets	35,632	(391)	35,241
	35,632	13,437	49,069
Lease liabilities	-	16,062	16,062
Provisions for liabilities	3,227	-	3,227
Other liabilities	23,493	(2,625)	20,868
Equity and reserves	8,912	-	8,912
	35,632	13,437	49,069

Impact on Company assets, liabilities and equity as at 1 July 2019

	As previously reported	IFRS16 adjustments	As restated
Right of use assets	-	13,828	13,828
Total assets	40,127	(391)	39,736
	40,127	13,437	53,564
Lease liabilities	-	16,062	16,062
Provisions for liabilities	3,227	-	3,227
Other liabilities	31,044	(2,625)	28,419
Equity and reserves	5,856	-	5,856
	40,127	13,437	53,564

When measuring lease liabilities that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.43%.

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 16 Leases (continued)

	1 July 2019 £'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	12,671
Impact of discounting using the incremental borrowing rate at 1 July 2019	(3,751)
Recognition of lease incentive	2,625
Adjustments as a result of different treatment of extension options	4,722
Recognition exemption for leases with less than 12 months of lease term at transition	(205)
Lease liability recognised as at 1 July 2019	16,062

Group as a lessee

a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in operating expenses and an increase in depreciation and amortisation expense and in interest expense;

b) Equipment held under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-of-use-assets. There has been no change in the amount recognised;

c) Lease liability on leases previously classified as financing leases under of IAS 17 and previously presented within borrowings is now presenting in the separate line lease liabilities. There has been no change in the liability recognised;

d) Provision for onerous operating lease contracts required under IAS 17 has been derecognised; and

e) The lease incentives liability previously recognised with respect to operating leases has been derecognised and the amount factored in the measurement of the right-of-use assets and lease liabilities.

The application of IFRS 16 has impacted the consolidated statement cash flows of the Group.

Under IFRS 16, the Group as a lessee has presented:

- a) Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- b) Cash paid for the interest portion of lease liability as financing activities, as permitted by IAS 7; and
- c) Cash payments for the principal portion for leases liability, as part of financing activities.

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 16 Leases (continued)

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by £5.4m and net cash used in financing activities increased by the same amount for the year ended 30 June 2020.

The adoption of IFRS 16 did not have an impact on net cash flows.

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:

Amendment	Subject	Effective date
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2020
Amendments to IAS1	<i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to IAS 16	<i>Property, plant and equipment – proceeds before intended use</i>	1 January 2022
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>		1 January 2022
<i>Annual Improvements to IFRS Standards 2018 -2020</i>		1 January 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Basis of accounting (continued)

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 Arrow XL Limited and its subsidiary undertaking drawn up to 30 June each year. The accounting policies of the subsidiary undertaking are consistent with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 Group to the users of the financial statements.

Going concern

The financial statements are prepared on the going concern basis, with support from parent company Logistics Group Holdings Limited. The directors of Logistics Group Holdings Limited have indicated their present intention to continue to support the Group to allow the Group to settle its liabilities as they fall due.

In determining whether the Group's financial statements can be prepared on the going concern basis, the directors have considered the business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities as well as the principal risks and uncertainties relating to its business activities.

Logistics Group Holdings Limited group and company cash flows and banking covenants for the next 12 months have been carefully considered from the date of signing the audited financial statements. These have been appraised in the light of the uncertainty in the current economic climate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Going concern (continued)

As such, conservative assumptions have been used to determine the level of financial resources available to the Company and the Group and to assess liquidity risk. The key risks identified by the directors for these assumptions are the impact of deterioration in volumes and achievement of operational efficiencies.

The directors are satisfied that the plans to strengthen the business model, together with continued support from Logistics Group Holdings Limited, will enable the Group to continue to meet its liabilities as they fall due in the foreseeable future and for a period of at least 12 months subsequent to approval of the financial statements. A full risk analysis exercise has been carried out against the current financial plans and the directors consider that the existing plans are both robust and deliverable.

Accordingly, on that basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Revenue recognition

The Group's activities consist of the provision of a goods delivery service, related transport activities and warehousing to the business and consumer markets in the United Kingdom. Revenue is recognised upon delivery of goods to the customer at which point the Group'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 payables due within one year.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are then recognised in the Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The Group has elected to net grant income off against the related costs as permitted under IAS 20.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

- a) fixed lease payments (including in-substance fixed payments), less any lease incentives;
- b) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- c) the amount expected to be payable by the lessee under residual value guarantees;
- d) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- e) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- a) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- b) the lease payment change due to changes in an index or rate or a change in expected payments under a guaranteed residual value, in which case the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- c) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated Statement of Financial Position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient to certain assets, as disclosed in note 19.

The accounting policy relating to leases described below relates to the comparatives for the year ended 30 June 2019.

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.

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 the Income Statement. Rentals payable under operating leases are charged to the Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Operating profit

Operating profit is stated after charging operational exceptional items but before finance costs.

Operating exceptional items

Operating exceptional items are those items which are not incurred in the usual course of business and include the cost of delivering operational improvement plans. In the current and previous year exceptional items include the insurance income received following the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

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 & 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.

Depreciation of right of use assets 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:

Property	over a period up to 21 years
Vehicles	over a period up to 4 years

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.

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 scrapping 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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

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.

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.

Investment in subsidiaries

Investment in subsidiaries are valued at cost less provision for impairment

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Financial instruments (continued)

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.

Impairment of financial assets

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.

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.

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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

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 Group 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.

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.

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. There was a 24-month trading disruption element to the claim so proceeds have been released to this anniversary to cover these extra costs of operation and client stock claims. All monies received in relation to destroyed assets were credited to the Income Statement in previous years, whilst the remaining proceeds in relation to fixed assets required to

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Critical judgements in applying the Group's accounting policies (continued)

Recognition of insurance proceeds (continued)

recommence operations from the temporary Droitwich site have been recognised to match the depreciation of these assets in the year.

Key sources of estimation uncertainty

Recognition of deferred tax asset

Determining whether to recognise deferred tax assets in the financial statements involves significant estimates including assessment of the recoverability of any asset and consideration of tax arrangements with other companies within the group.

If the UK corporation tax rate is one per cent higher / (lower), the unprovided deferred tax asset would increase / (decrease) by £153,000.

Details of deferred tax assets can be found in note 21.

5. Revenue

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

On the basis that the Group has no publicly traded equity or debt securities, the directors have taken the exemption available under IFRS 8 'Operating Segments' not to disclose reporting data for business segments.

6. Exceptional income

	2020 £'000	2019 £'000
Business interruption claim	275	2,316
Compensation for replacement assets	805	480
Exceptional income	1,080	2,796

On 27 April 2017, the Worcester Hub was destroyed by fire. All losses caused by the fire were fully insured and the proceeds have now been received in full from the insurance company to cover the loss of profits and increased cost of working. The Worcester Hub is now back in full operational use.

Within the compensation for replacement assets £711,000 (2019: £nil) relates to replacement assets written off in the year on the move out of a temporary hub.

All remaining proceeds received from the insurance company to cover the loss of profits and increased cost of working have been recognised in exceptional income during the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Operating exceptional items

	2020 £'000	2019 £'000
Fire disruption	1,020	1,196
Other operational exceptional items	318	429
Covid-19 exceptional costs	269	-
Operating exceptional items	1,607	1,625

Fire disruption relates to costs incurred as a result of the Worcester fire on 20 April 2017. The Worcester Hub is now back in full operational use and no further fire disruption costs are expected to be incurred.

Other operational exceptional costs relate to operational improvement plans which have taken place in the current and previous financial year.

Covid-19 exceptional costs relate to additional and separately distinguishable operational costs as a direct result of the pandemic associated with PPE, infection control and implementing social distancing protocols.

8. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	1,761	2,268
Depreciation of right of use assets	4,563	-
Amortisation of intangible assets	833	904
Government grants	(192)	-
Operating lease rentals	205	5,436
Loss on disposal of property, plant and equipment	20	12
Loss on disposal of intangible assets	6	28
Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts	55	50

In the year ended 30 June 2020 the Group received government grants of £192,000 as part of a Government initiative to provide financial support in response to the COVID-19 pandemic. There are no future related costs in respect of these grants which were received solely as part of the Job Retention Scheme. The Group has only claimed Government grants to cover the cost of "shielding employees" where their roles required attendance at the workplace and hence temporary resource cover was required.

There were no non-audit fees payable to the auditor (2019: £nil) for the Group or the Company.

Amortisation of intangible assets has been charged to operating expenses in the consolidated Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Staff costs

Group and Company	2020 Number	2019 Number
Average monthly number of full-time equivalents (including part-time staff and directors) employed:		
Administration	104	105
Distribution and customer services	1,056	1,055
	<hr/> 1,160	<hr/> 1,160
	<hr/> 2020 £'000	<hr/> 2019 £'000
Directors' remuneration:		
Aggregate emoluments	393	397
	<hr/> 393	<hr/> 397
	<hr/> 2020 £'000	<hr/> 2019 £'000
Remuneration of the highest paid director:		
Aggregate emoluments	293	297
	<hr/> 293	<hr/> 297

During the year, two directors (2019: two) were paid through the Company. All remaining directors were remunerated by companies outside of the Arrow XL Limited Group for which costs are not recharged.

During the year no directors (2019: none) had contributions paid into money purchase pension schemes.

ARROW XL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Staff costs (continued)

Group and Company	2020 £'000	2019 £'000
Staff costs (including part-time staff and directors) during the year:		
Wages and salaries	31,836	30,942
Social security costs	2,999	2,998
Other pension costs	1,071	979
Redundancy	119	276
	<u>36,025</u>	<u>35,195</u>

During the current year staff costs are shown net of government grants of £192,000 which were received as part of a Government initiative to provide immediate financial support as a result of COVID-19. There are no future related costs in respect of these grants which were received solely as part of the job retention scheme.

10. Finance costs

	2020 £'000	2019 £'000
Interest on financing arrangement	19	22
Interest on lease liabilities	<u>1,535</u>	<u>-</u>
	<u>1,554</u>	<u>22</u>

11. Tax

	2020 £'000	2019 £'000
Current taxation:		
Corporation tax at 19% (2019: 19%)	<u>-</u>	<u>-</u>

Finance Act 2020 superseded the 17% corporation tax rate set in Finance Act (No.2) 2015 and effectively restored the rate to 19% with effect from 1 April 2020. The standard rate of corporation tax applicable to the financial year therefore remained unchanged at 19%. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tax (continued)

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

	2020 £'000	2019 £'000
(Loss) / profit on ordinary activities before tax	(465)	62
(Loss) /profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(88)	12
Effects of:		
Expenses not deductible for tax purposes	180	75
Transfer pricing adjustments	-	36
Fixed assets timing differences	479	264
Short term timing differences	(150)	(489)
Unrecognised tax losses	(363)	-
Group relief received/ (surrendered) for nil consideration	(58)	102
Group total tax charge for the year	-	-

Effects of exceptional items on taxable profits

Exceptional income and expenditure are fully taxable or tax-deductible at the standard rate of corporation tax in UK of 19% (2019: 19%).

12. Profit of holding Company

The loss on ordinary activities after taxation for the year attributable to the Company amounted to £465k (2019: £62k profit). 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Intangible assets

Group and Company	Assets under the course of construction £'000	Software £'000	Total £'000
Cost			
At 30 June 2018	1,225	8,521	9,746
Additions	1,030	233	1,263
Transfers between categories	(1,019)	1,019	-
Disposals	-	(32)	(32)
At 30 June 2019	1,236	9,741	10,977
Additions	574	178	752
Transfers between categories	(285)	154	(131)
Disposals	-	(53)	(53)
At 30 June 2020	1,525	10,020	11,545
Amortisation			
At 30 June 2018	-	7,182	7,182
Charge for the year	-	904	904
Disposals	-	(4)	(4)
At 30 June 2019	-	8,082	8,082
Charge for the year	-	833	833
Disposals	-	(47)	(47)
At 30 June 2020	-	8,868	8,868
Net book value			
At 30 June 2020	1,525	1,152	2,677
At 30 June 2019	1,236	1,659	2,895

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. 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 30 June 2018	1,481	4,531	5,229	1,281	974	13,496
Additions	-	231	1,012	1,392	330	2,965
Transfers between categories	21	(223)	322	(120)	-	-
Disposals	-	-	(16)	(3)	-	(19)
At 30 June 2019	1,502	4,539	6,547	2,550	1,304	16,442
Additions	-	522	365	26	-	913
Transfers between categories	-	2,084	569	(2,522)	-	131
Transfer to right of use assets (note 19)	-	(352)	(389)	-	-	(741)
Disposals	-	(240)	(1,903)	-	-	(2,143)
At 30 June 2020	1,502	6,553	5,189	54	1,304	14,602
Depreciation						
At 30 June 2018	311	983	1,729	-	914	3,937
Charge for the year	53	511	1,615	3	86	2,268
Disposals	-	-	(4)	(3)	-	(7)
At 30 June 2019	364	1,494	3,340	-	1,000	6,198
Charge for the year	19	664	992	-	86	1,761
Disposals	-	(216)	(1,195)	-	-	(1,411)
At 30 June 2020	383	1,942	3,137	-	1,086	6,548
Net book value						
At 30 June 2020	1,119	4,611	2,052	54	218	8,054
At 30 June 2019	1,138	3,045	3,207	2,550	304	10,244

ARROW XL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Property, plant and equipment (continued)

Company

	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 30 June 2018	659	4,531	5,526	1,278	1,577	13,571
Additions	-	231	712	1,392	330	2,665
Transfers between categories	21	(223)	322	(120)	-	-
Disposals	-	-	(13)	-	-	(13)
Transfer between Group companies	-	-	-	-	(603)	(603)
At 30 June 2019	680	4,539	6,547	2,550	1,304	15,620
Additions	-	522	365	26	-	913
Transfers between categories	-	2,084	569	(2,522)	-	131
Transfer to right of use assets (note 19)	-	(352)	(389)	-	-	(741)
Disposals	-	(240)	(1,903)	-	-	(2,143)
At 30 June 2020	680	6,553	5,189	54	1,304	13,780
Depreciation						
At 30 June 2018	55	983	1,979	-	1,519	4,536
Charge for the year	11	511	1,363	-	84	1,969
Disposals	-	-	(2)	-	-	(2)
Transfer between Group companies	-	-	-	-	(603)	(603)
At 30 June 2019	66	1,494	3,340	-	1,000	5,900
Charge for the year	19	664	992	-	86	1,761
Disposals	-	(216)	(1,195)	-	-	(1,411)
At 30 June 2020	85	1,942	3,137	-	1,086	6,250
Net book value						
At 30 June 2020	595	4,611	2,052	54	218	7,530
At 30 June 2019	614	3,045	3,207	2,550	304	9,720

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Property, plant and equipment (continued)

Included in freehold land and buildings in the Group and Company is freehold land, which is not subject to depreciation, amounting to £0.4m (2019: £0.4m).

15. Fixed asset investments

Investment in subsidiary	£'000
At 30 June 2019 and 30 June 2020	5,019

The Company had the following directly owned subsidiary undertaking at 30 June 2020:

Company Name	Country of incorporation	Class of shares held	Proportion of voting rights held	Nature of business
Arrow XL (Scotland) Limited	England	Ordinary	100%	Dormant

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

16. Inventories

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Consumables	36	73	36	73

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amounts falling due within one year:				
Trade receivables	6,395	5,029	6,395	5,029
Allowance for doubtful debts	(121)	(115)	(121)	(115)
	6,274	4,914	6,274	4,914
Amounts due from Group undertakings	11,153	15,504	11,153	15,504
Prepayments and accrued income	683	1,668	683	1,668
Other receivables	71	44	71	44
	18,181	22,130	18,181	22,130

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 27.

The average credit period on the sale of services is 39 (2019: 33) days.

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.

ARROW XL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Trade and other receivables (continued)

Movement in the allowance for doubtful debts:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Balance at 1 July	115	139	115	139
Increase in provision	35	-	35	-
Amounts written off during the year	(29)	(24)	(29)	(24)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June	121	115	121	115
	<hr/>	<hr/>	<hr/>	<hr/>

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Ageing of past due but not impaired receivables 30-180 days	<hr/> -	<hr/> -	<hr/> -	<hr/> -

The Group's largest 10 customers accounted for 73% of trade receivables as at 30 June 2020 (2019: 70%).

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £nil (2019: £30k) 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 maximum exposure to credit risk at the reporting date is equal to the carrying value of each asset. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	6,531	7,383	6,531	7,383
Amounts owed to Group undertakings	18	500	7,569	8,051
Other creditors	3,302	3,258	3,302	3,258
Social security and other taxes	1,445	1,281	1,445	1,281
Accruals and deferred income	7,195	11,071	7,195	11,071
	<u>18,491</u>	<u>23,493</u>	<u>26,042</u>	<u>31,044</u>

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

Trade payables comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 48 (2019: 39) 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.

19. Leases

Group and company

	Properties £'000	Vehicles £'000	Total £'000
Cost			
IFRS 16 transition	10,226	3,602	13,828
Additions	17,500	4,518	22,018
Transfers between categories	741	-	741
At 30 June 2020	<u>28,467</u>	<u>8,120</u>	<u>36,587</u>
Depreciation			
IFRS 16 transition	-	-	-
Charge for the year	2,063	2,500	4,563
At 30 June 2020	<u>2,063</u>	<u>2,500</u>	<u>4,563</u>
Net book value			
At 30 June 2020	<u>26,404</u>	<u>5,620</u>	<u>32,024</u>

The Group leases various property, vehicles and equipment. Included within vehicles are leased assets relating to vans, tractors, trailers and trucks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. It has elected not to separate lease and non-lease components for vans, tractors and certain trucks and instead accounts for these as a single lease component.

Amounts recognised in the income statement

The Group and Company has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

	2020 £'000
Depreciation expense on right of use assets	4,563
Interest expense on lease liabilities	1,554
Expense relating to short-term leases	<u>205</u>
	6,322
	<u>36</u>
Income from sub-leasing right of use assets	<u>36</u>

The total cash outflow for leases amount to £6.0m (2019: £nil).

At the 30 June 2019, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fell due as follows:

Group and Company:	Land and Buildings		Other	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	1,661	2,440	1,657	2,412
In the second to fifth years inclusive	3,834	4,489	1,830	3,722
After five years	<u>3,600</u>	<u>4,500</u>	<u>89</u>	<u>-</u>
	<u>9,095</u>	<u>11,429</u>	<u>3,576</u>	<u>6,134</u>

The reconciliation of the transition from operating lease commitments disclosed under IAS17 to IFRS16 Leases can be found in Note 2 Adoption of new and revised Standards.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Leases (continued)

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Present value of minimum lease payments				
Within one year	3,434	-	3,434	-
In the second to fifth year inclusive	8,610	-	8,610	-
Greater than five years	22,300	-	22,300	-
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	34,344	-	34,344	-
	<hr/>	<hr/>	<hr/>	<hr/>
Analysed as:				
Amounts due for settlement within 12 months	3,434	-	3,434	-
Amounts due for settlement after 12 months	30,910	-	30,910	-
	<hr/>	<hr/>	<hr/>	<hr/>
	34,344	-	34,344	-
	<hr/>	<hr/>	<hr/>	<hr/>

Additional information

The discount rates used to calculate the Group and Company lease liabilities as at the date of transition to IFRS 16 and 30 June 2020 was as follows:

Properties – less than 10 years	4.32%
Properties – greater than 10 years	4.84%
Vehicles	4.13%

Length of lease commitments

The average lease term of Group and Company lease commitments and the average lease term remaining as at 30 June 2020 was as follows:

	Average lease term		Average lease term remaining	
	2020 Years	2019 Years	2020 Years	2019 Years
Properties	13.0	9.0	7.0	2.0
Vehicles	4.0	3.0	2.0	3.0

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Provisions for liabilities

Group and Company	At 30 June 2019 £'000	Charged to the Income Statement £'000	Utilised during the year £'000	Released to the Income Statement £'000	At 30 June 2020 £'000
Vehicle provisions	2,007	1,062	(1,306)	(216)	1,547
Other provisions	1,220	464	(327)	(66)	1,291
	3,227	1,526	(1,633)	(282)	2,838

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

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

21. Deferred taxation asset

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

Group	2020 £'000	2019 £'000
Fixed asset timing differences	2,767	2,176
Short term timing differences	145	369
Deferred tax asset	2,912	2,545
Deferred tax asset not recognised	(2,912)	(2,545)
Deferred tax asset recognised	-	-

At 30 June 2020 deferred tax assets of £2,912,000 (2019: £2,545,000) have not been recognised due to insufficient certainty over the recoverability of this asset by the relevant companies within the Group.

22. Called-up share capital

Group and Company	2020 £'000	2019 £'000
Allotted, called-up and fully paid:		
5,000,001 Ordinary shares of £1 each	5,000	5,000

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NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Reserves

	Retained earnings £'000
Group	
At 30 June 2018	3,850
Profit for the financial year	62
	<u>3,912</u>
At 30 June 2019	
Loss for the financial year	(465)
	<u>3,447</u>
At 30 June 2020	
Company	
At 30 June 2018	794
Profit for the financial year	62
	<u>856</u>
At 30 June 2019	
Loss for the financial year	(465)
	<u>391</u>
At 30 June 2020	

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NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Notes to the Cash Flow Statement

Reconciliation of operating profit to cash flows from operating activities

	2020 £'000	Group 2019 £'000	2020 £'000	Company 2019 £'000
Operating profit for the financial year	1,089	84	1,089	84
Adjusted for:				
Depreciation of property, plant and equipment	1,761	2,268	1,761	1,969
Depreciation of right-of-use assets	4,563	-	4,563	-
Amortisation of intangible assets	833	904	833	904
Loss on disposal of property, plant and equipment	20	12	20	11
Loss on disposal of intangible assets	6	28	6	28
Operating cash flow before movement in working capital	8,272	3,296	8,272	2,996
Decrease / (increase) in inventories	37	(1)	37	(1)
Decrease / (increase) in receivables	3,949	(3,289)	3,949	(3,289)
(Decrease) / increase in payables	(2,056)	2,519	(2,056)	2,519
Decrease in provisions	(389)	(810)	(389)	(810)
Cash generated from operations	9,813	1,715	9,813	1,415
Cash and cash equivalents				
Cash and bank balances	3,148	290	3,148	290

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

Reconciliation of net debt

	Balance at 1 July 2019 £'000	Recognised on adoption of IFRS 16 (Note 2) £'000	Increase in right of use asset lease liability £'000	Proceeds from loans and borrowings £'000	Interest £'000	Cash flows £'000	Balance at 30 June 2020 £'000
Leases	-	(16,062)	(21,600)	(1,177)	(1,554)	6,049	(34,344)
Cash	290	-	-	-	-	2,858	3,148
	290	(16,062)	(21,600)	(1,177)	(1,554)	8,907	(31,196)

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Retirement benefit schemes

Defined contribution scheme

The Group has a contributory pension scheme for all employees; the Arrow XL 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 scheme are charged to the Income Statement. The total cost of the contributions within these accounts amounted to £1,070,000 (2019: £979,000). At 30 June 2020 there were pension contributions payable of £193,000 (2019: £168,000).

26. Financial instruments

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Financial assets				
Cash	3,148	290	3,148	290
Loans and receivables	17,427	20,418	17,427	20,418
Total financial assets at amortised cost	20,575	20,708	20,575	20,708
Financial liabilities				
Financial liabilities at amortised cost	40,893	7,883	48,444	15,434
Total financial liabilities	40,893	7,883	48,444	15,434

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

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 risk arising from the Group's financial instruments is 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) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Financial instruments (continued)

(b) 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.

(c) 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Shop Direct Home Shopping Limited	39,370	41,232	434	612
Shop Direct Ireland Limited	2,067	1,640	-	-
Yodel Delivery Network Limited	-	-	23	103
St James's Street Property Management Limited	-	-	75	53
Worcester (Blackpole) Limited	-	-	925	-
	Amounts owed by related parties		Amounts owed to related parties	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
LW Corporation Limited	1,930	3,200	-	-
Shop Direct Home Shopping Limited	343	-	-	496
Shop Direct Ireland Limited	269	151	-	-
Yodel Delivery Network Limited	6,111	9,653	-	-
Logistics Group Limited (previously Yodel Logistics Limited)	2,500	2,500	-	-
St James's Street Property Management Limited	-	-	18	4

The companies listed above are all members of LW Corporation Limited's group of companies.

Remuneration of key management personnel

The remuneration of the directors and the Executive Management Team, who are the key management personnel is set out below:

	2020 £'000	2019 £'000
Short-term employee benefits	1,150	1,028
Post-employment benefits	39	46
Termination benefits	84	79
	<u>1,273</u>	<u>1,153</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Cross-guarantee

The Group has entered into a bank cross-guarantee with other Logistics Group Limited (previously Yodel Logistics Limited) group companies. The guarantee amounts to £165.0m at 30 June 2020 (2019: £175.0m) relating to facilities in the name of Logistics Group Limited (previously Yodel Logistics Limited).

The assets of the Group are pledged as security for the bank borrowings of Logistics Group Limited (previously Yodel Logistics Limited), by way of a fixed and floating charge.

29. Capital commitments

The Group has committed to £nil (2019: £2.0m) of capital expenditure.

30. Ultimate controlling party

The immediate holding company is Logistics Group Limited (previously Yodel Logistics Limited), a company registered in England and Wales. The smallest Group into which the results of the Group 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 Group is a member that produces publicly available consolidated financial statements is Logistics Group Holdings Limited (previously Yodel Distribution 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.