ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

XPEDIATOR PLC

Company Registration: 10397171

CONTENTS

INTRODUCTION
INTERNATIONAL FREIGHT MANAGEMENT GROUP

Xpediator Plc is a fast-growing international freight management company providing logistics and transport support solutions, exploiting the global growth demand for transportation services.

As a Group Xpediator Plc is committed to providing dynamic supply chain solutions and innovation within a Global market, focusing on outstanding quality and customer care excellence.

AT A GLANCE

REVENUES

19.0% increase

2019 £213.2m
2018 £179.2m

ADJUSTED PROFIT BEFORE TAX

-28.4%

2019 £5.2m
2018 £7.2m

GROSS MARGIN

1.4% increase

2019 24.7%
2018 23.3%

NET CASH

114.1% increase

2019 £7.0m
2018 £3.2m

ACTUAL PROFIT BEFORE TAX

-61.3%

2019 £2.2m
2018 £5.6m

EARNINGS PER SHARE

-83.0%

2019 0.60p
2018 3.53p

2019 HIGHLIGHTS

19.0%
Increase in revenues

£6.95 million
Positive net cash

STRONG REVENUE GROWTH COMBINED WITH GOOD CASH GENERATION

- Substantial increase in revenues by 19.0% to £213.2 million
- Like for like revenues increased by 10.4% reflecting good organic growth
- Delivered ahead of revised expectations with adjusted profit before tax of £5.2 million[1]
- Improved cash generation with a strong focus on working capital
- Maintained financial headroom with positive net cash (excluding liabilities arising from the impact of right-of-use assets debt) of £7.0 million as at 31 December 2019
- Adjusted earnings per share decreased by 41.7% to 2.80p
- Final proposed scrip dividend, with the intention to return to cash dividends from the 2020 interim half year results

[1] Adjusted profit before tax excludes the impact of exceptional costs relating to aborted acquisition costs of £0.19m (2018: £nil), additional contingent deferred consideration on Anglia Group Forwarding Limited of £0.451 million (2018: £nil), £0.215 million (2018: £nil) relating to additional contingent deferred consideration due on Regional Express acquisition, £nil (2018: £0.318 million) relating to acquisition costs, £0.294 million (2018: £0.232 million) unwind and addback of discount on deferred consideration and £1.407 million (2018: £1.033 million) relating to the amortisation on the intangible assets relating to the acquired entities and £0.419 million (2018: £nil) relating to the net consolidated income statement impact following the application of IFRS 16.

BUILDING A PAN EUROPEAN TRANSPORTATION COMPANY

"2019 saw our revenues increase substantially by 19% to £213.2 million, and helping to end the year with strong cash balances. However, the outbreak of COVID-19 has changed the commercial world, with the duration and ultimate impact of the virus are as yet unknown. Our objective is to protect our staff and business, and to ensure we are well placed to resume normal operations and potentially capitalise on opportunities when the virus impact subsides. As an asset light business with low fixed overheads we are better placed than some, with demand for our services holding up and in some areas seeing an increase. However, given the current uncertain environment we have taken measures to protect the business by reducing salaries and costs across all entities. The Group continues to seek acquisitions and the current crisis will, we believe, provide many opportunities to reach our target to grow the business over the next few years. Ultimately the Board believes Xpediator is well placed to operate through this crisis and emerge in a good position.

Stephen Blyth, Chief Executive Officer of Xpediator

32.2%
Increase in logistics revenues

16.6%
Increase in freight forwarding revenues

Q1 2020
New initiatives & opportunities through Amazon SPN relationship

ACQUISITIONS
Centralise support function

OPERATIONAL HIGHLIGHTS

- Freight forwarding revenues increased by 16.6% to £159.6 million with the Baltics and Balkans key areas of strength despite strong prior year comparators
- Pall-Ex franchise in Romania also performed strongly again handling in excess of 730,000 palletised freight (2018: 610,000) a 19.7% increase
- Logistics revenues increased by 32.2% to £47.5 million with increased occupancy in the Romanian, Baltics and Balkans key areas of strength despite strong prior year comparators
- Opening of an office in Shanghai to support the operation of a key contract
- Affinity Transport Solutions continued its steady growth performance, delivering £2.5 million of operating profit before central overhead allocation (excluding exceptional items)

PROSPECTS FOR 2020 & COVID-19 IMPACT

- Asset light structure and flexible cost base, enabling the Group to manage the business during the early days of the current COVID-19 crisis
- Overall demand for transport services and solutions has continued with high demand in most sectors, whilst some areas have seen a slow down due to impacts of COVID-19
- Trading of the Group in Q1-2020 was broadly in line with management expectations
- To further protect and manage the business responsibly during this extraordinary period the Board has introduced temporary pay reductions across the business, reduced overheads where appropriate and is minimising capital investment projects. In addition, to conserve cash, the final dividend for 2019 will be structured as a scrip dividend
- At the same time, the Board is mindful of the opportunities that may arise from the current crisis and is determined the business will be well placed to capitalise

CHAIRMAN'S STATEMENT

Alex Borrelli
Non-Executive Chairman

2019 has demonstrated the growth in demand for the Group's services. Delivering £213 million of revenues reflects the significant increase in the scale of the business over the last three years when annual revenues were just £73 million. Importantly, expansion has come from a balanced mix of acquisition and organic growth further evidenced in these results with like for like revenues increasing by over 10%.

Adjusted profit before tax was £5.2 million (2018: £7.2 million) which led to adjusted earnings per share of 2.80 pence (2018: 4.80 pence). Earnings per share on a statutory basis was 0.60 pence (2018: 3.53 pence).

The Group faced some challenges during the first half of 2019 which negatively impacted our profitability. Our e-commerce business was slowed by a disruption caused by a tightening of "know your client rules" following the introduction of GDPR regulations to the distribution chain in Germany and additional marketing spend was required to stimulate the business' recovery. Our UK logistics warehouse in Braintree lost a material client and whilst

this customer has been replaced, the warehouse required a reconfiguration. The warehouse is now well placed to support new customers and e-commerce activity, a key growth area for the Group.

Overall, 2019 was a year of investment in people, facilities and processes to position us for future growth. We continue to invest in the Group's IT infrastructure to support the enlarged business. The year saw the establishment of an outsourced IT department in India, the installation of enhanced Group wide cyber security systems and the ongoing development of the digitalisation of the business. A key target for 2020 is for the business to continue its development of the e-forwarding platform, which will enable a large part of the freight forwarding activity to be online by the end of 2020, with resultant overhead savings for the future.

Strategically, Xpediator remains focused on establishing its network of freight management companies across the UK and Europe with a particular expertise in the fast growing Central and Eastern European ("CEE") regions. Recognising the market opportunity, the Group is seeking to exploit the growth across the CEE regions.

The Group continues to have a good pipeline of acquisition opportunities which meet the acquisition criteria of enhancing the Group's geographical capabilities, developing our existing operational locations and extending the Group's international presence in air and sea transportation.

The Group's Brexit team has been working closely with leading transport associations and port authorities to plan ahead. The Group already holds Authorised Economic Operator status which will be critical in being able to support both exporters and importers post Brexit under most forecasted scenarios. As a Group, we are well prepared for Brexit and we see this as an area to grow the profitability of the Group.

DIVIDEND

Subject to approval by shareholders, the Group will propose a final dividend via a scrip issue to shareholders in June 2020. This has been proposed given the current issues around COVID-19 and the objective of conserving cash where possible, but it is expected that the Group's 2020 interim dividend will return to being paid in cash.

BOARD AND MANAGEMENT CHANGES

On 4 November 2019, Wim Pauwels and Charles McGurin were appointed as non-executive Directors, following the retirement of Geoff Gillo who stepped down from the role on 6 June 2019. Both Wim and Charles have extensive experience of the transport and logistics industry and have held senior roles running comparable businesses to Xpediator.

On 13 November, following Stuart Howard's resignation on 6 September 2019, the Company confirmed the appointment of Robert Ross as the Chief Financial Officer of the Group. Robert began working for Xpediator on 2 January 2020 having previously been the Finance Director of Europa Worldwide Group. He replaces Richard Myson (who had been acting CFO) who remains with the business moving to become Chief Commercial Officer and joining the Group Operating Board.

COVID-19

As the Group announced on 31 March 2020, the wellbeing and safety of our people, customers and suppliers is Xpediator's first priority. Where possible individuals are working remotely from their homes and we are continuing to operate effectively whilst also taking the appropriate actions to limit the spread of this virus.

So far in 2020, activity levels have remained broadly in line with management expectations, with high demand from some sectors and other areas slowing. In response we have sought to allocate resource to match demand across the business. While it is hard to make any predictions under these extraordinary circumstances, based on very recent trends, the Board believes that demand for our freight management and warehouse services, both in the UK and Europe will remain sufficiently robust overall but will be more volatile in any given month, and that we have the systems and protocols in place to meet this demand.

We are benefitting from our diverse operations across the UK and Europe which has already helped us offset challenges in some areas with higher activity in other markets. Pall-Ex and European road freight forwarding have been areas of strength together with good levels of warehouse utilisation. That said, operating in this market environment is more complicated involving driver shortages in certain markets, some supply issues, more complex border checks and general cost inflation most of which can be passed to clients.

The Group also has the natural advantage of being an asset light business and does not own a large fleet of trucks. Instead we have low fixed overheads and typically act as a broker to our clients sourcing capacity from the market as it is required. Despite being in a relatively good position, the Board has taken the prudent decision to introduce temporary pay reductions, reduce costs in areas of reduced activity and suspend certain capital investment projects until the crisis has passed.

OUTLOOK

Notwithstanding COVID-19 the Group has made a solid start to 2020 with revenues slightly up on a like for like basis for the first 3 months of the financial year. This, together with the new client wins achieved in 2019 gives the Board confidence in delivering progress in 2020, subject to the outcome of COVID-19.

However, it is not practical to give longer term guidance at this time until there is greater clarity around the duration and full effects of COVID-19 on our customers, suppliers and our markets.

Alex Borrelli
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Stephen Blyth
Chief Executive Officer

Introduction

I am excited to outline the vision for the development of the Group over the next 5 years. I also report on our results for year ended 31 December 2019, which saw the Group's revenues increase by 19%.

We set out at the beginning of the year with the objective to continue to develop our pan-European service an enhanced digitalised platform to support the transport, storage and local delivery of our global customers goods. To this end, we have been investing in the development of our Group wide IT platforms and team to accelerate our move towards digitalisation. We have also significantly expanded the management team, bringing in highly skilled individuals to support the enlarged business and implement our plans for further expansion. Although this investment has added additional cost to the Group, we are now well positioned and sufficiently resourced, to deliver rapid growth with limited further investment required to reach our stated targets over the next five years.

Demand for freight management in the UK and CEE countries was strong during the year. Changing consumer trends and economic growth in our core markets, in particular from the CEE region are driving demand and helping us to develop a more comprehensive European network of freight management companies. As a business we are still heavily CEE centric with c58% of the Group's revenue being generated between mainland Europe.

The financial results achieved in 2019 evidence the progress we have made across all our markets. Of the £213.2 million of revenues generated in 2019, £123.5 million was generated in Europe (2018 £109.0 million) and £89.7 million in the UK (2018 £70.2 million). We remain weighted towards the CEE region on the continent where our experience and infrastructure enable us to win contracts against the larger competitors in our market, and we are very pleased with our evolution in this region.

The business is performing well, growing both organically and through acquisition. Good cash generation during the year reflected a strong focus on working capital and increased financial disciplines. The Group has a solid financial base with the financial headroom to support the Company's future ambitions.

The businesses acquired are being integrated and the process is ongoing to obtain further synergies. Despite the difficulties currently caused by COVID-19 we are poised and ready for further acquisitions and we have strengthened the IT, HR, and finance teams to facilitate more activity.

The opening of the office in Shanghai, China will facilitate the development of activity with the Chinese customers and the major contract win secured in H2 2019.

ACQUISITIONS

Our strategy is to act as a consolidator of the highly fragmented freight management market. In the last two years the Group has completed four transactions which have added over 1,200 new customers together with significantly expanding the Group's air and sea freight capabilities.

During 2019, the Group had pursued a major acquisition target in Slovenia which consumed considerable time and expense, and whilst we reached the final two bidders, unfortunately, this was not successful.

During 2019 the Group focused on integrating and bedding in the acquisitions made in 2017 and 2018 which will be completed during 2020. We remain focused on expanding the Group through acquisition and we have a pipeline of opportunities that are in varying stages of consideration. Acquisition targets are selected on the basis they will enhance the Group's existing market presence, add further service capabilities particularly in air and sea and benefit significantly from being a part of the wider Xpediator Group, plus be earnings enhancing.

Divisional Review

FREIGHT FORWARDING

REVENUE

£159.6m

(2018: £136.9million)

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

£3.4m

(2018: £3.0 million)

Freight forwarding services, largely provided under the Delamode brand, specialise in connecting CEE countries with the UK and rest of Europe. In 2019, freight forwarding revenues increased by £22.7 million all of which related to organic revenue and the full year impact of acquisitions from 2018.

Like for like turnover increased by £16.7 million, 12.2% on 2018, driven by new client wins and the expansion of service offerings into new markets. This included the development of consolidation services to Italy from Lithuania as well as increased sea freight activity in Bulgaria.

Freight forwarding revenues across the Baltics and Balkans have continued to grow significantly against strong prior year comparatives, with Delamode Baltics revenue up by £8.9 million and Delamode Bulgaria up by £4.2 million year on year.

The remaining increase in freight forwarding revenues in 2019 was due to full year contributions from acquisitions completed during 2018. Benfleet Forwarding Limited made significant improvements over 2018 with its Far East activity recommencing, generating increased revenue of £6.0 million and additional operating profit of £0.6 million. Anglia Forwarding, also outperformed management expectations in terms of revenue and profit.

The Regional Express earn-out was completed early in order to invest appropriately for a major contract win on a three-year contract that commenced operations in August 2019. This has a slow build up in the last quarter of 2019 during the implementation phase and activity levels are expected to ramp up during 2020.

We have continued to invest in our cross-border e-commerce project and whilst this is currently loss making (2019: loss of £0.5m), we continue to closely monitor the performance and prospects of the project and particularly in relation to its working capital requirements.

> **“The division has recorded a strong revenue increase (up 16.6%), providing the leverage to improve margins further.**

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Divisional Review:

WAREHOUSING & LOGISTICS

REVENUE

£47.5m

(2018: £35.9million)

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

£2.9m

(2018: £3.0 million)

The Logistics division's activities remain largely focused in Romania and the UK and revenue increased by £11.6 million in 2019 to £47.5 million.

The Group's Pall-Ex franchise in Romania continues to perform strongly, offering a palletised freight delivery service to any part of the country within 24 hours and handling in excess of 60,000 pallets on average per month in 2019 (2018: 50,000 average pallets per month). This level of growth has continued into the first quarter 2020, with approximate growth of 20% compared to the first quarter of 2019.

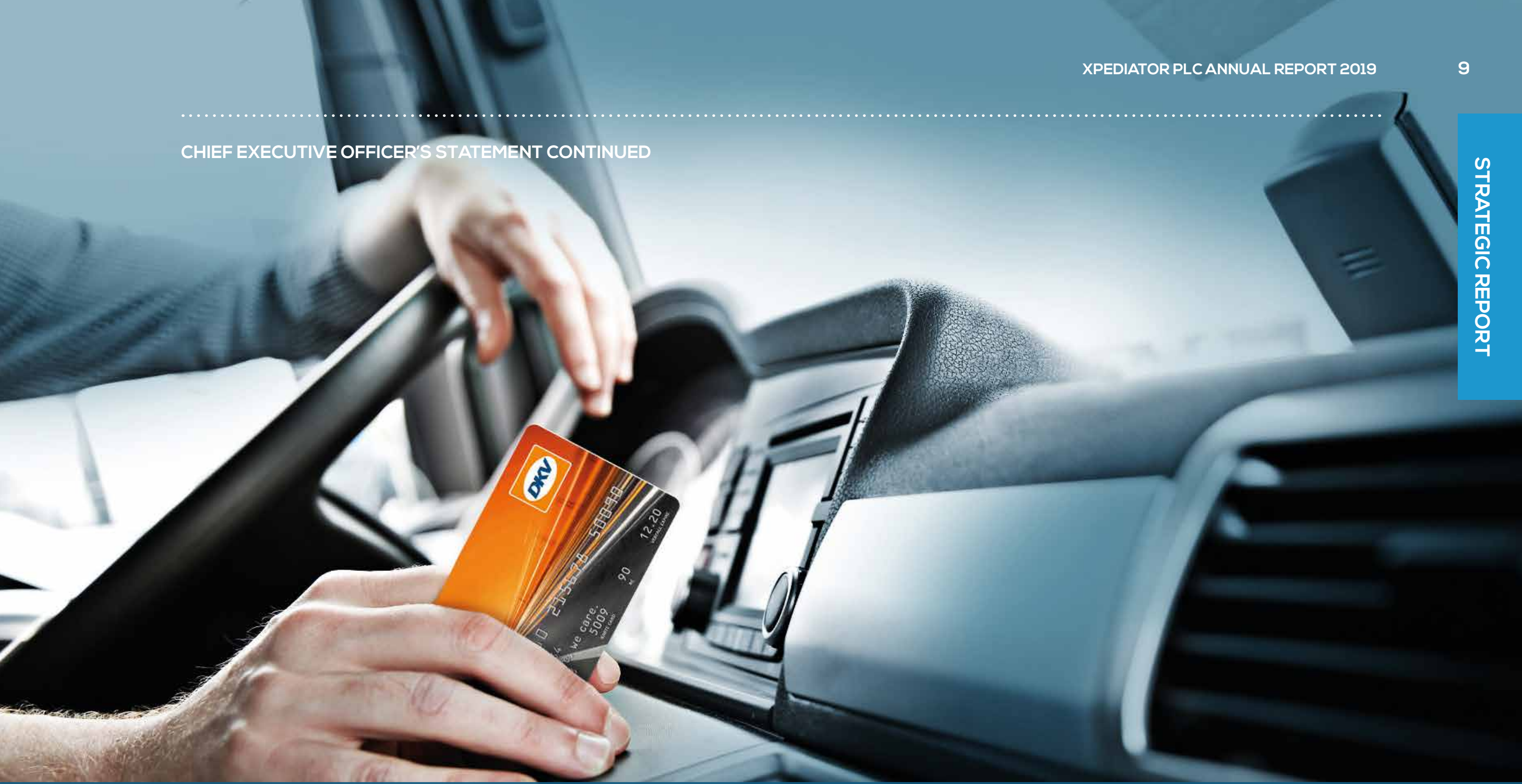
The development of the new cross dock facility in Sibiu for Pall Ex and Delamode storage was completed in H1 2019 and has enhanced the service and profit levels. During 2019, management was successful in being awarded significant warehouse contracts in Romania. This resulted in the occupancy of the main 25,000 sqm warehouse facility in Bucharest increasing from 48% in March 2019 to 83% in December 2019. Whilst the Bucharest facility lost over £500K in 2019, it is expected that this will move towards a breakeven position in 2020.

There is a strong pipeline of demand for warehouse space in Romania and having the ability to deliver palletised freight throughout Romania overnight by our Pall-Ex operations puts the business in an enviable position for further growth in the future.

In the UK, the lease for a new purpose built, 20,000 sqm facility in the Port of Southampton has been signed and the site is expected to become operational in February 2021. This will give the Group almost 70,000 sqm of warehouse space within the UK with aspirations to double the size of the estate by the end of 2022.

The warehouse in Braintree experienced some challenges during 2019, with the loss of a significant client and the substantial expansion of an existing customer. During the change over, management took the opportunity to reconfigure the warehouse which will drive greater future opportunities and allow the Group to increase its e-fulfilment for new and existing customers.

> **"Our new port-centric Southampton logistics centre will work favourably with the UK's move outside of the European Union.**



Divisional Review:

TRANSPORT SERVICES

REVENUE

£6.2m

(2018: £6.4 million)

GROSS BILLINGS

£142.3m

(2018: £139.1 million)

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

£2.5m

(2018: £2.3 million)

Transport solutions, trading principally under the Affinity brand, provides bundled fuel and toll cards, financial and support services for hauliers in southern Europe. Affinity has been an agent of DKV in Romania since 2002, one of the world's largest fuel card providers and provides the DKV fuel card across the Balkans to a database of approximately 2,000 Eastern European hauliers and over 15,000 trucks.

In addition, Affinity provides a "one stop shop" of transport services including roadside assistance and ferry bookings. Affinity's commercial model fits well within the Group as many of the hauliers who are customers of Affinity also supply haulage services to Delamode a key factor that enables the Group to have a good understanding of its customers/suppliers, which underpins the strategy to provide further financial services such as insurance and leasing. With current driver shortages in Europe, having a supplier base will also become increasingly important for the forwarding division.

Volumes sold to customers (gross billings) increased in 2019 by 2.3% despite year on year decreases in average fuel prices of 1.4%. However, revenue decreased slightly due to the Euro/Sterling exchange rate changes, increases in competition within the market and a tightening of the division's credit policy.

Romania remains the largest region for the division and now represents 84% of total activity, (2018: 87.2%, 2017: 89.5%).

Further progress was made towards greater expansion of this division's services outside of Romania and into other East European countries, and Affinity commenced operations in Bulgaria during 2019.

There are several opportunities which the Group can capitalise on in 2020, including further developing the leasing and insurance products tailored specifically for Affinity's existing customer base.

"The division's 18 years of experience provides the unique platform to successfully expand in new geographical regions, as well as being well placed to develop further its service and product offerings.

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

VISION AND STRATEGY

Xpediator is a leading Freight Management providers in a very fragmented and competitive logistics market.

OUR VISION

Our vision over the next five years is to maintain our current rate of growth and become a leading international freight management and logistics provider generating revenues in excess of £1 billion.

As a business we want to deliver sustainable solutions to our clients who are at the centre of our service offerings. We focus on offering our clients the optimal solution for their transport needs with consistently high quality and competitive services.

We also look to ensure our client base is diverse, not just in terms of the number of clients, but also the sectors we service. No single client contributes to more than 2% of Group revenue. As an acquisitive business, one of the areas of focus, when considering acquisition opportunities, is how the opportunity can add to this diversity. Accordingly, strategically selected acquisitions have added to our ability to be able to offer more services to our existing client base as well as attracting new clients. We are now able to offer even stronger industry-specific solutions for our clients in the retail and fashion, toys and games sector.

First, continued focus on the provision of high-quality services to the CEE region. This region is experiencing some of the largest GDP growth across Europe and the growth will be generated across all three divisions of the Group.

Second, the expansion of our Logistics facilities in Southampton where we will open a new 20,000 sqm facility in H1 2021.

Third, continued focus on targeted, earnings enhancing acquisitions. Operating in a large, fragmented market results in there being numerous acquisition targets and our strategy is to focus on global freight forwarders and contract logistics providers which are supported by a strong client base with a strong earnings track record.

Finally, operating in a low margin industry, we strive to identify ways in which we can continue to provide high quality services to our clients in a cost-effective way. During 2019 we continued our investment in IT, not only to secure our clients and suppliers data, but also to enhance our online functionality. This will allow us to offer our clients a seamless online solution to make bookings and track their consignments. The digitalisation of these processes will be margin enhancing as we take out overhead costs, whilst ensuring our clients have a competitive, robust solution.

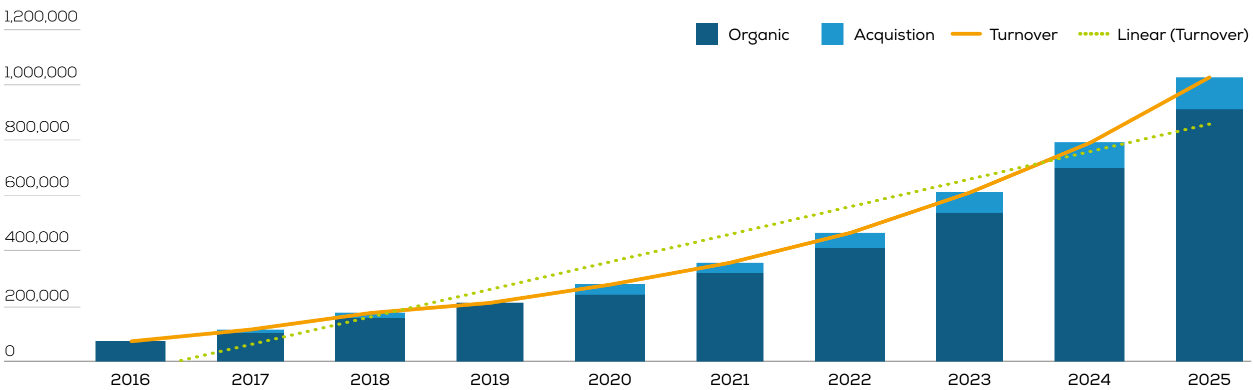
Ultimately, at the heart of the Group's vision is client service, delivered through optimal solutions, whilst being competitively priced and with consistently high levels of customer service.

OUTLOOK

We are currently operating in an extraordinary period. I am proud of the magnificent way everyone across the Group has responded to the crisis and has pulled together to get through this period and ensure we have a business that is able to re-emerge in good health. I would therefore like to thank everyone for their efforts and wish all stakeholders well during this very difficult period. We continue with the stated vision to reach our aspirational goals. In doing so, we will add greater strength and capability to the Group, which in turn will provide greater job security and rewards for our employees, plus enhancing returns for investors.

Stephen Blyth
Chief Executive Officer

XPEDIATOR GROWTH TREND



Case Study

E-FORWARDING

Digitalisation of Xpediator

2019 saw the Group substantially increase investment in the digitalisation of the business.

We recognise there is a longer-term opportunity to automate multiple areas of the Group's operations both back office and customer facing. The foundations to achieve these ambitions have been laid through the appointment of key personnel and expansion of the internal IT team (including a strategically selected outsourced solution) tasked with transforming the digital footprint of Xpediator.

In 2019, the Group set out its strategy for digitalisation beginning with merging and integrating existing IT platforms and working towards group-wide solutions which encourage greater interaction between the Group's 1,000+ employees, whilst reducing inefficiencies. Alongside new IT platforms being established the Group has substantially upgraded its cyber security throughout the geographies.

A primary objective for Xpediator is the transition towards an online e-forwarding model to host all freight forwarding transactions. An important step towards this has been the formation of a digital quotation and booking platform. This online tool provides customers with competitive price comparisons for the best rates which can then be booked online. This is now operational.

The next stage is the creation of a consolidated digital platform that delivers instant access to our vast network of reliable services through an intuitive platform, enabling customers of any size to generate quotes in real-time, tender a load with only a few clicks, and track their shipments from pickup to drop-off. This simplicity and transparency will enable customers to move freight at a scale and speed that was previously not possible.

Whilst a significant cost in these earlier years we expect to obtain significant future benefits with increased competitiveness and reduced overhead costs.

The future for Xpediator is digital.

Case Study
CEE MARKETS

A cornerstone for Xpediator

Xpediator has been establishing long-term connections across the Central and Eastern European ("CEE") countries since founder and CEO, Stephen Blyth, first formed Delamode Romania in 1994. From that point onwards, it has been a key area of operations and today, the Group has over 1,000 employees working across 8 CEE markets from 38 offices and logistics centres.

In 2019 the CEE markets accounted for £123.5 million, being 58.0% of the Group's total revenues of £213.2 million. The extensive knowledge and experience accumulated, as a western operator specialising in these countries, is hard to replicate and represents a unique offering to Xpediator's customer base of over 14,000 companies, many of whom are keen to access these fast-growing markets.

It is no secret that the CEE countries are growing faster than the rest of Europe and over the last 10 years GDP growth rates have been consistently higher. Romania in particular, has experienced rapid and consistent growth and is the CEE market where Xpediator has its largest presence, offering not only freight forwarding and logistic services but also fuel cards and a domestic 24 hour pallet service to any location throughout the country.

Being a UK headquartered freight management company with a significant presence and knowledge of the CEE markets is an unusual combination and has enabled the Group to provide transport services between western and eastern Europe that are hard to match. This is an important commercial advantage and the Group continues to expand and invest across the CEE markets in order to maintain this valuable lead.

CHIEF FINANCIAL OFFICER'S STATEMENT

Robert Ross
Chief Finance Officer

FINANCIAL REVIEW

Revenue

Group revenue increased in 2019 by £34.1 million (19%) to £213.2 million. Of this increase, like for like growth was £18.6 million whilst the full year effect of acquisitions made in 2018 contributed the remaining £15.5million.

The Freight Forwarding division delivered £159.6 million (16.6% increase v 2018). Our Warehousing and Logistics division delivered revenue of £47.5 million (32.2% increase v 2018). The Transport Services division delivered £6.2 million (2.9% decrease v 2018).

Group profit before tax

Whilst Group profit before tax decreased in 2019 to £2.2 million (2018: £5.6 million, 2017: £2.4 million), two of the three operating divisions (before central overheads) increased on the prior year:

	2019	2018	2017
Freight Forwarding	£3.4m	£3.0m	£2.4m
Warehousing and Logistics	£2.9m	£3.0m	£0.9m
Transport Services	£2.5m	£2.3m	£2.0m

The increases in profit before tax from the operating divisions was offset by year on year increases in central overheads (£2.4 million), exceptional costs (£0.5 million), amortisation (£0.4 million), accounting adjustments (£0.4 million) and interest on deferred consideration (£0.1 million).

Adjusted profit before tax

Reconciliation between profit before tax and adjusted profit before tax

	2019	2018	2017
Profit before tax	£2.175m	£5.616m	£2.436m
Exceptional items (note 30)	£0.856m	£0.318m	£0.912m
Unwind and addback of discount on deferred consideration[1]	£0.294m	£0.232m	£0.295m
Amortisation on intangibles (note 12)	£1.407m	£1.033m	£0.330m
Net Income Statement Impact of application of IFRS 16	£0.419m	-	-
Adjusted Profit before tax	**£5.151m**	**£7.199m**	**£3.973m**

[1] Unwind of discount of deferred consideration = £0.346m plus addback of the release on discount of deferred consideration = £0.052m (see note 10)

Earnings per Share

	2019	2018	2017
Basic earnings pence per share (profit after tax)	0.60	3.53	1.64
Adjusted earnings pence per share (Adj profit after tax)	2.80	4.80	3.27

The total number of ordinary shares at 31 December 2019 was 136.1 million (2018: £133.8 million) following the issue of 2.3 million during the year which gave rise to a weighted number of shares of 135.1 million (135.8 million diluted). Profit after tax attributable to the owners of the parent company of £0.8 million provides a basic earnings per share of 0.60p (0.60p diluted) which is an 83.0% (82.5% diluted) decrease on 2018. Adjusted profit before tax results in a basic earnings per share of 2.80p (2.79p diluted) which is a decrease of 41.7% (40.1% diluted) on 2018. (See note 10 of the financial statements).

Group Adjusted Profit before Tax 2019 v 2018

Group operating profit before exceptional items decreased by 27.8% (£1.8 million) year on year fuelled by mix of issues surrounding the e-commerce activity, the warehouse in Braintree and the investment in overheads to accommodate future growth and IT solutions.

The Freight Forwarding division operating profit increased by £0.4 million from 2018 to 2019. Of this, organic growth accounted for £0.2 million and the full year impact of the acquisitions of Anglia Forwarding in June 2018 contributed a further £0.2 million. The loss in the e-commerce activity equated £0.5m for the year, (2018: £0.2 million profit).

The Logistics division operating profit decreased by £0.1 million from 2018 to 2019. Organic growth decreased by 25.1% (£0.7 million loss) year on year, with the full year impact of the Import Services Limited contributing additional revenue of £9.5 million and operating profit of £0.5 million. This was offset by the Braintree warehouse that has undergone a reconfiguration project following the loss of a major customer and is expected to deliver an improved contribution to the Group during 2020.

The Transport Services division under the Affinity brand saw operating profit increase by 10.6% (£0.2 million) from 2018 to 2019. This was achieved through improved overhead controls despite revenues decreasing by £0.2 million year on year.

Financial Resources

Asset Cover	2019	2018	2017
Total Assets	£128.9m	£98.8m	£76.4m
Net Assets	£29.0m	£29.1m	£14.8m
Current Ratio	1.01	1.14	1.07

Cash

The Group continues to focus on the application of tight cash controls and the need to maintain a reasonable headroom for future contingencies and to manage financing risk. The Board regularly monitors the financing needs of the business through cash flow projections for the following 12 months. These are expected to be achieved for the coming year from existing cash balances, loan facilities and operating cash flows. The Group has sufficient financial resources and a broad spread of business activities. The Directors therefore believe that it is well placed to manage its business risks.

Cash	2019	2018	2017
Net cash from operating activities	£14.2m	£3.7m	£1.7m
Net cash outflow from investing activities	£(2.0)m	£(7.0)m	£(6.5)m
Net cash outflow from financing activities	£(9.3)m	£5.4m	£7.0m
Effect of foreign exchange movements	£(0.5)m	£0.2m	£(0.1)m
Cash and cash equivalents at end of year	**£12.0m**	**£9.6m**	**£7.3m**

Cash generated from operations increased by 279.5% from 2018 to £14.2 million reflecting the increased turnover generated as well as improved control of working capital. In addition, as a result of the adoption of IFRS 16, this has resulted in a benefit to net cash from operating activities by £6.5 million.

Cash outflows from investing activities decreased on 2018 levels, (71.5%), due to there being no acquisition in 2019, compared to the acquisition of two subsidiaries in 2018.

Cash from financing activities decreased by 272.7% from 2018 due mainly to lower proceeds from share issues (£6.5 million lower) and repayment of loan and CID balances. In addition, as a result of the adoption of IFRS 16, this has impacted cash from financing activities by £(6.5) million .

Overall, this resulted in an increase of £2.4 million in cash and cash equivalents from 2018 with £12.0 million balance at the end of the year 2019 (23.9% increase v 2018).

Working Capital

Trade Receivables and Payables	2019	2018	2017
Trade and other receivables	£60.9m	£60.3m	£51.8m
Trade and other payables	£58.6m	£56.1m	£51.0m
Days Sales Outstanding[2] *(based on gross billing)	63.5	70.4	81.5
Days Payable Outstanding days[3] *(based on cost of sales)	71.9	75.6	91.3

[1] CID – Confidential Invoicing Discount facility. Funding is secured on the value of invoices raised.
[2] Debtor days defined as trade receivables / gross billings * 365
[3] Creditor days defined as trade payables / cost of sales (gross billings less gross margin) * 365

Whilst both trade receivables and payables increased in the year, this was as a result of the increased activity undertaken by the Group. Trade receivables increased by 1.0% to £60.9 million and trade payables increased by 4.5% to £58.6 million. Despite the increase in trade debtors, debtor days reduced by 9.8% reflecting the continued focus on managing the Group's working capital effectively. Creditor days also decreased but by less than the decrease in debtor days (4.9% year on year) which has reduced the working capital within the Group.

Administrative Costs Review

As the business has continued to develop, both in terms of operations and support functions, combined with the full year impact of the 2018 acquisitions, the average staff numbers have increased from 902 to 1,037. Consequently, Group administrative costs increased from £36.4 million to £50.0 million (37.1%).

Operating Costs (Key Items)	2019	2018	2017
Staff costs	£23.9m	£18.6m	£13.4m
Bad debts	£0.8m	£1.1m	£0.6m
Depreciation on right of use assets / Rental payable under leases	£6.0m	£5.9m	£2.3m
Insurance	£0.9m	£0.7m	£0.4m
Plant and machinery hire	£0.7m	£0.7m	£0.3m
IT costs	£1.6m	£0.6m	£0.3m
Other administration costs	£16.1m	£8.8m	£8.4m

Finance Costs

Excluding the IRFS 16 impact of £1.1 million, finance costs were in line with 2018, at £0.5 million. Improved cash management has resulted in both loans reducing by £0.6 million and lower utilisation from the confidential invoice discounting by £0.6 million.

Called up Share Capital

2.3 million ordinary shares (2018: 16.3 million, 2017: 37.4 million) were issued in the year primarily relating to the equity proportion of deferred consideration payable for the acquisition of EMT and Regional Express. Called up share capital at 31 December 2019 was £6.9 million (2018: £6.7 million, 2017: £5.9million). See note 22 of the financial statements.

Impairment

The Group carries out its impairment tests annually in November as part of the budget process and all newly acquired entities are also reviewed for impairment at the balance sheet date.

No impairment losses have been recognised during the year.

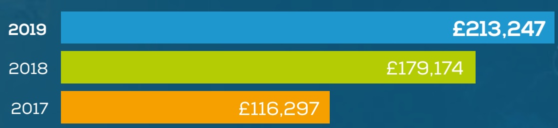
KEY PERFORMANCE INDICATORS

A qualitative review of the performance during the year is provided in the Chairman and CEO's Statements and Financial Review. The results for the year are presented in the Consolidated financial statements.

The key indicators of performance for the Group are shown below:

REVENUE
(£000's)

19.0% ↑



GROSS MARGIN
(£000's)

1.4% ↑

GROSS PROFIT
(£000's)

26.2% ↑

2019	£52,604
2018	£41,684
2017	£28,111

NET CASH LESS BANK LOANS
(£000's)

114.1% ↑

2019	£6,953
2018	£3,247
2017	£1,486

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS[4]
(£000's)

-27.9% ↓

2019	£4,684
2018	£6,494
2017	£4,001

NET CASH FROM OPERATING ACTIVITIES
(£000's)

297.5% ↑

2019	£14,165
2018	£3,733
2017	£1,653

ADJUSTED PROFIT BEFORE TAX[5]
(£000's)

28.4% ↓

2019	£5,151
2018	£7,199
2017	£3,973

[4] Exception items include costs aborted acquisition relating to Intereuropa DD of £0.19 million (2018: £nil) additional contingent deferred consideration payable on Anglia Forwarding Group Limited acquisition of £0.451 million (2018: £nil), additional contingent deferred consideration payable on Regional Express Limited of £0.215 million (2018: £nil) and costs associated with acquisitions of £nil (2018: £0.32 million).

[5] Adjusted profit before tax excludes the impact of exceptional costs relating to aborted acquisition costs of £0.19 million (2018: £nil), additional contingent deferred consideration on Anglia Group Forwarding Limited of £0.451 million (2018: £nil), £0.215 million (2018: £nil) relating to additional contingent deferred consideration due on Regional Express acquisition, £nil (2018: £0.318 million) relating to acquisition costs, £0.294 million (2018: £0.232 million) unwind and addback of discount on deferred consideration and £1.407 million (2018: £1.033 million) relating to the amortisation on the intangible assets relating to the acquired entities and £0.419 million (2018: £nil) relating to the net consolidated income statement impact following the application of IFRS 16.

RISK AND UNCERTAINTIES

The Group maintains a risk register which identifies the main risks facing the business. This is updated regularly as the risks change.

The risk register is reviewed by the Board to ensure appropriate processes are in place to manage and mitigate the risks where possible. This ensures that risks are identified, evaluated, prioritised, and mitigated.

Key business risks facing the Group are currently addressed on pages 18 to 21, principal risks and uncertainties facing the Group are broadly grouped as Strategic, Commercial and financial risks.

The Group's activities expose it to a limited number of financial risks. The Group aims to manage these risks on a day to day basis. Further analysis of financial risks is provided in note 21 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has identified the following principal risks through its risk management process:

	Risk	Change in the Year	Mitigation
STRATEGIC	**Regulation and legislation**		
	The Group operates in diverse regions throughout Europe each with their own respective political environments. The economies and political structures are relatively stable in these regions; however, there would be an impact to the Group as a result of a global economic recession and or a major change in the political landscape.	➡	The Group monitors the changing political, legal and economic factors regularly as part of the forecasting process, thus ensuring procedures are put in place to mitigate any unfavourable changes. As part of the forecast process the management prepare a review of all the factors affecting the business, this ensures an up to date understanding of the external pressures facing the Group in the regions in which it operates. The Group procures the services of external specialist advisers as required to support the businesses in the regions in which they operate.
	Brexit risks		
	The UK left the EU on 31 January 2020 and risks now relate to the detail and timing of the new Trade deal being negotiated and due to take effect from 1 January 2021. With the final details of Brexit still to be agreed, there is a level of uncertainty as to the impact the exit from the EU will have on the economy and the customs processes.	➡	The Group has implemented a specific "Brexit team" who are monitoring the discussions and negotiations with regards the UKs withdrawal from the EU. The Group has identified various opportunities and risks associated with both a hard and soft exit and have implemented and identified measures to mitigate and/ or capitalise on these. This includes ensuring system connectivity with CHIEF and working with HMRC to develop interfaces with the new system, CDS, and recruiting and training Custom Clearance staff to manage the additional number of entries following a hard BREXIT. The Group is using one of its businesses, Anglia Forwarding Ltd, to manage the Custom Clearance activity in the UK, as it has the most expertise in this area and is an Authorised Economic Operator (AEO). Viewed as an International mark of customs and security quality, AEO status effectively demonstrates that the supply chain is secure, and that customs controls and procedures are efficient and compliant with HMRC. Post-Brexit, AEO certification will become even more desirable to keep cargo moving. The EU and UK are expected to recognise each other's AEO schemes in a Post-Brexit environment. If there are any changes to the customs formalities in which goods traded with the UK require customs clearance, then the Group is well positioned to provide these services to its client base and which are likely to enhance profit and margins. Based on the final deal, the Group will determine the best course of action based on the current plans.

RISK AND UNCERTAINTIES CONTINUED

"The success of the Company depends on its ability to mitigate and understand the risks facing the business."

STRATEGIC

Risk	Change in the Year	Mitigation
Acquisitions and integration		
There Group has a strategy of organic growth along with growth via acquisition. All acquisitions contain an element of risk, for example, Risk of overpaying, Limited target Company knowledge and or Insufficient operational diligence.	➡	The Group has developed an extensive Merger and Acquisition Policy, which will be followed and adhered to with all future transactions. The Group's strategy on all acquisitions is that the consideration is generally based on a multiple of earnings, with an element of the payment on completion with a further payment based on the future earnings of the acquired entity. All acquisitions have an earnout period which helps mitigate any over payments. Using this structure, the Group seeks to mitigate the risk of overpayment as the payment should be largely linear to the profit generated post-acquisition. When considering a potential target, the Group looks at potential entities, which are generally known to the senior management team. This benefits the Group as there is already a knowledge base relating to the potential target and this mitigates some potential risks. The Group looks to minimise any risks associated with the due diligence process by having suitability experienced people and advisors involved in the due diligence process. This includes both operational, legal and financial individuals. The Group utilises the services of external specialists to assist with the due diligence process as required.
IT systems		
IT systems are used to facilitate operations, business management and for record keeping. The threat of an unauthorised or malicious attack is an ongoing risk, which could impact on the performance of the Group. Any downtime because of a systems breach or failure would affect the ability to perform the operations to its optimal level, and thus may affect customer relationships and loyalty.	⬆	Critical systems are backed up regularly locally where not hosted in the cloud and/or hosted on third party data centres with appropriate backup redundancy. All systems sit behind firewalls which are updated to ensure definitions are kept up to date Disaster recovery plans are in place to ensure business can recover from any interruptions with minimal impact. The main trading websites and internal network are protected by a firewall with frequently updated anti-virus software. In order to mitigate any such risk, the IT systems, whether proprietary or from third parties, are tested for security from attack. The Company has commissioned an Independent 3rd party report on our IT systems.
Negative publicity		
The Group utilises a wide range of marketing mediums to promote the business. These include social media as well as digital marketing and more traditional forms ie articles in trade publications. This can leave the Group exposed to third parties posting negative comments.	➡	The external PR advisors, along with the Nomad and corporate brokers, monitor any news articles and publicly published information concerning the Group. As such the Group is immediately made aware of any negative information concerning itself and or any business units. Along with the Group's external PR advisor, the Group has put in place a crisis plan which deals with any negative publicity and manages the fall out accordingly. Once any negative information is notified to the Group the crisis plan is activated and the steps followed accordingly.

RISK AND UNCERTAINTIES CONTINUED

COMMERCIAL

Risk	Change in the Year	Mitigation
Dependence on key suppliers – DKV		
The Transport Services Division is largely reliant on one main supplier, DKV. Any event which leads to the sudden loss or deterioration of this relationship could materially adversely affect the Group's performance prospects, results of operations and financial condition.	→	Over the last 17 years of working together, the Group has developed a strong and successful relationship with DKV. This relationship is supported by a contract which has been in place since 2002. The Senior Operational manager for the Transport Services Division, regularly meets with the DKV Head of International Sales Partner Management where any issues are discussed. The Group CEO also has open dialogue with the Senior Management of DKV to ensure any issues are resolved in a timely fashion.
Dependence on key management		
The Group is dependent on several key skilled personnel in senior positions. Most of senior management have been with the business for several years and during this time have built up a vast amount of knowledge and experience in relation to their roles. The management are a key factor which will determine the success of the business in achieving its strategy. Any loss of the management would have a short to medium term impact on the business.	↓	The Group will implement annual appraisals for the senior management team to ensure they are motivated and highly effective in their roles. The appraisal determines the effectiveness and performance of each member with regards their specific roles. The appraisal system will identify any areas of concerns and make recommendations for any training or development to enable the manager to meet their objectives which will be set for the following year. This will include ensuring the managers have the necessary training to develop into future Senior management roles. The appraisal process will also review the progress made against the prior year's targets to ensure any identified skill gaps are closed. The Group ensures it remuneration packages for the key senior management are competitive, include a long term incentive plan and are in line with the market.
Competition		
The sectors in which the Group operates is highly competitive. The loss of market share to competitors would have an adverse impact on volume, impacting the operational and financial performance of the Group.	↓	The Group strives to maintain its market position across all Divisions by ensuring high services levels for all its clients. The Group also seeks to offer proactive and innovative solutions to the market. The Group has identified the competitors for each area of business and the management regularly monitor their activity to ensure it is fully aware of their development and any strategic plans which may impact on the Groups activity.
Labour costs		
The Group operates in regions where wage rate inflation is higher than the UK. This is due to a shortage of skilled employees arising from migration. This has meant the Group has had to increase the average salary levels. Any increase in the salaries of employees may have an impact on the profitability of the Group along with issues over procuring the correct labour services.	↑	The Group regularly benchmarks remuneration levels against other employers in the respective region to ensure it is paying the market rates. This process is carried out annually and as part of any new recruitment. The Group reviews employee turnover and conducts exit interviews for the senior management to fully understand the reasons for the termination of their employment.

RISK AND UNCERTAINTIES CONTINUED

FINANCIAL

Risk	Change in the Year	Mitigation
Banking regulations		
The method of operation within the Transport Services Division is closely linked to the EU banking regulations, any changes to these may have a significant impact on the profitability of the Group	↓	Transport Services utilises the services of two legal advisors in the markets in which they operate who monitor the changes to the banking regulations and advise the Group of any changes.
Foreign exchange risk		
Group reports its results in sterling but operates in areas where the functional currency is non-sterling, as such it has exposure to foreign exchange risk. Certain liabilities, principally right-of-use assets and borrowings, are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at the balance sheet date.	→	Currently the Group has not entered into any exchange rate hedging mechanisms but looks to mitigate exchange losses internally by matching the revenue and cost base in the same currency as far as possible. The position is monitored regularly to ensure that the Group achieves its optimal position with regards any exchange losses.
Liquidity risk		
The Group has sufficient liquid resources to meet the operating needs of the business as per currently forecast. Any changes to the profitability to the business may impact on the Group's Liquidity.	→	The Group continually assesses its cash requirements by undertaking regular and frequent reviews of cash flow forecasts. These are reviewed by the Board to monitor any changes to the funding requirements. The Group believes that currently it has sufficient working capital and funds available to meet its strategy and growth plans. As a result of COVID-19, the Board is having regularly twice weekly phone calls where they discuss operational and finance metrics, including regular review of volume activity and revenue. To further protect and manage the business responsibly during this extraordinary period, the directors have introduced temporary pay reductions, negotiated rent free periods, recruitment freezes and reducing other costs through a strategic review of business overheads, as well as suspending certain capital investment projects. In addition, funds may be transferred between Group entities to assist in managing this risk.
Interest rate risk		
There is a risk that the interest cost will fluctuate over time. Assets financed through finance leases are leased at fixed interest rates. Borrowing rates are dependent on Libor / Euribor fluctuations. The long-term debt of the Group is denominated in sterling and is based on a blend of fixed rate and margin above base, which currently has a blended average rate of approx. 4% per annum	→	The Group will constantly monitor its borrowings to see if there is a suitable hedging product which will mitigate any interest rate rises. For any new borrowings, the Group will seek a suitable hedging facility, if appropriate.

Key

↑ = Risk increase

→ = Risk remains consistent

↓ = Risk lowered

SECTION 172(1) STATEMENT

Section 172(1)(a) to (f) of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making, to this effect the board of directors of Xpediator Plc consider that they have acted in such a way that would be most likely to promote the success of the company for the benefit of its members as a whole.

(a) The likely consequences of any decision in the long-term

Annually the company reviews it's medium to long term plan which focuses on the strategic direction of the Group as well as looking at the threats and opportunities it is facing.

This plan is designed to ensure the long-term optimal direction of the company and to contribute to its success in delivering excellence with regards it service to its customers whilst ensuring the long terms requirements of the other stakeholders are considered.

(b) The interests of the company's employees

The Board considers the employees as one of the key stakeholders within the Group and as such welcomes any feedback to ensure the alignment of both party's interests and given the nature of the business their greatest asset.

The interests of the employees are always considered when determining the strategic direction and vision of the Group.

The Group initiated a plan to roll out an employee survey giving employees the opportunity to provide feedback to the Company. This would measure employee engagement, and thus how productive our people are and how engaged they are in their job. It would give employees a voice allowing them to provide open feedback.

(c) The need to foster the company's business relationships with suppliers, customers and others

The Board recognises that the success of the Company is reliant on the stakeholders of the business and, to this effect, the Company engages with these stakeholder groups on a regular basis.

Our senior management team regularly meets with their respective suppliers in order to form a mutually beneficial long term partnership.

We look to ensure our suppliers have the same core values as the Group and as part of our Group's procurement policy it ensures all suppliers adhere to the Company's Anti-Bribery and Corruption policy as well as its policy on modern slavery, details of which are available on the Company's website https:// xpediator.com/modern-slavery-statement

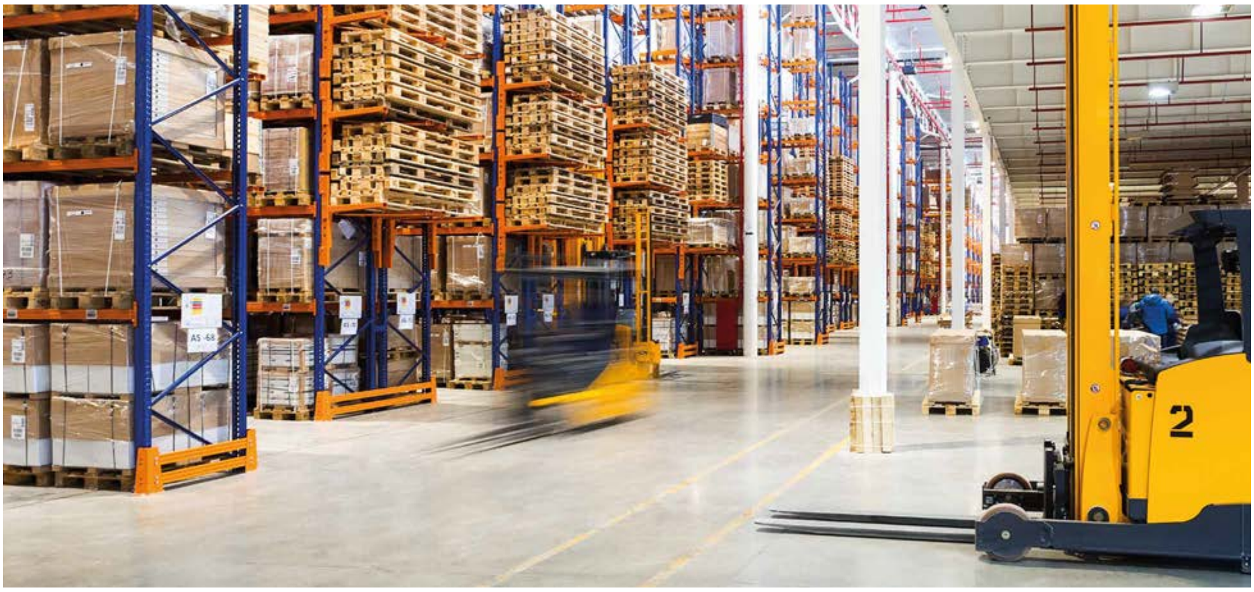
With a large diverse customer base, the Group ensures it follows an customer account methodology, and are focused on delivering service excellence.

Service levels are regularly monitored and the results considered by the senior management team who will take timely corrective actions as and when required.

(d) The impact of the company's operations on the community and environment

The Board recognises its responsibilities with regards the environment and wider community and takes actions to reduce any negative impact the provision of its services have in this area.

The Board regularly looks at ways in which it can operate a sustainable business and has taken actions to reduce its carbon footprint. This has been achieved by utilising greener energy sources with regards its warehousing operations and promoting the use of electric vehicles were possible.



(e) The desirability of the company maintaining a reputation for high standards of business conduct

In order to ensure that the business maintains its reputation and integrity, the board promotes a corporate culture based on sound ethical values and behaviours which are essential to maximise shareholder value.

Those core values serve as a common language that allows all members of staff to work together as an effective team and it is these values and our shared long-term business vision and strategy that we believe will drive growth in shareholder value over the long term.

The Board is committed to three core values:

1. Creating a safe, positive and inclusive workplace environment
2. Engaging all stakeholders and the broader community with respect, integrity and honesty
3. Fostering a high-performance culture that values the contribution of all team members

These values are enshrined in the written policies and working practices adopted by all employees in the Group. The Board takes the time to consider the wider ramifications to its stakeholders when making strategic and corporate decisions, whilst at the same time delivering the long-term objectives of stakeholders.

The Board regularly reviews its whistleblowing process in order to ensure it safeguards the Group and its employees. As well as good practice in terms of corporate governance, it also provides employees with a process to raise any suspected wrong doings, misconduct or illegal acts that they have witnessed or become aware of. This reconfirms the Group commitment to promoting the highest possible standards of openness, integrity and accountability across the business.

(f) The need to act fairly as between members of the company

The Group's Board currently consists of 4 Non-Executive Directors, and two Executive Directors. The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities to ensure that all decisions are made such that the impact toward the stakeholders is fairly and equal, so they too may benefit from the successful delivery of our plan.

BOARD OF DIRECTORS

MICHAEL ALEXANDER (ALEX) BORRELLI

Non-executive Chairman (aged 64)

Alex initially studied medicine and then qualified as a chartered accountant in 1982. He has subsequently been active within the investment banking sector and has acted on a wide variety of corporate transactions in a senior role for over 20 years, including flotations, takeovers, mergers and acquisitions for private and listed companies. He is also currently Non-executive Chairman of Greatland Gold plc and of Black Sea Property plc. Alex was appointed Chairman of Xpediator in January 2017.

STEPHEN WILLIAM BLYTH

Chief Executive Officer (aged 65)

Stephen qualified as a chartered accountant in 1981. In 1984 Stephen joined one of his audit clients, Bleckmann (UK) Limited, a logistics Company, as managing director. Bleckmann was a subsidiary of Frans Maas, a listed Dutch logistics and freight forwarding Company, subsequently acquired by DSV, a listed global transport and logistics entity in Denmark. Having turned around the fortunes of Bleckmann and securing new business from the likes of Gap and Next and introducing new service lines, Stephen left Bleckmann in 1988 to set up the Group. In addition to Xpediator, Stephen has been involved in a number of other businesses across a broad range of activities.

ROBERT (ROB) WILLIAM GILBERT ROSS

Chief Financial Officer (aged 37)

Rob joined the board on 2 January 2020 having previously been the Finance Director of Europa Worldwide Group (a privately-owned transport and logistics business) for four years. He was responsible for all financial aspects of the Group including M&A activity, working capital and cash management, cost control and financing activities. He also led the property and facilities, HR and talent acquisition departments. Prior to this role, Rob worked at PwC where he qualified as a Chartered Accountant in 2008 and worked predominantly in the Transaction Services Department.

ROBERT (ROB) JAMES RIDDLESTON

Non-executive Director (aged 65)

Rob joins the Board of Xpediator having spent 45 years with Barclays as a senior corporate banker. Rob has extensive experience of the logistics sector as Head of Transport & Logistic at Barclays since 2005. Rob is an associate of the chartered institute of bankers and fellow of the institute of logistics and transport. Rob authored the Barclays Logistics Confidence Index from 2012 to 2017. Rob joined the Board of Xpediator in June 2018.

CHARLES MCGURIN

Non-executive Director (aged 54)

Charles joined the Board on 8 November bringing extensive experience in the international supply chain sector. Charles most recent role was CEO of global logistics organisation, Allport Cargo Services Group. Prior to this, Charles spent 10 years with DHL in a variety of roles, latterly as Vice President, Business Development EMEA.

WIM PAUWELS

Non-executive Director (aged 65)

Wim joined the board on 8 November, with over 40 years of experience in senior logistics roles across the Europe and US. Wim's most recent role was Chief Regional Officer for Yusen Logistics Europe, where has was responsible for Air, Ocean, Road Freight and Contract Logistics. Wim has held senior roles with BAX Global, Dexion Group and Caliber logistics, having started his career in logistics with Sony in 1978.

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE STATEMENT

Introduction to Corporate Governance

The Board recognises the importance of maintaining and developing good corporate governance throughout the Group for the wider benefit of the Company, its shareholders, employees, customers and suppliers and applies the governance principles of the UK's Quoted Companies Alliance Corporate Governance Code, which is tailored for small and mid-sized quoted companies ("QCA" Code).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

The Group has considered how each principle is applied within the business and the appropriateness of each approach. Below is an explanation of the approaches taken in relation to each principle.

Details of the Group's QCA policies are shown on the company website on the following address, https://xpediator.com/wp-content/uploads/2016/10/QCA-Statement_Xpediator-Plc_2019.pdf.

We recognise the importance of good corporate governance being led by the Board and we established an appropriate Board structure in accordance with regulatory compliance on the listing of the Company's shares on the AIM market of the London Stock exchange in August 2017, with the Board then comprising four independent non-executive directors and two executive directors. On 4 November 2019, the Company announced the appointment of both Charles McGurin and Wim Pauwels onto the Board of Directors. Geoff Gillo retired as a non-executive Director on 6 June 2019.

Rob Riddleston acts as chairman of the Remuneration Committee and together with Charles McGurin, Wim Pauwels and Alex Borrelli as non-executive Chairman of the Company, we comply with general governance best practice for a majority of independent non-executive Directors on the Board.

The Group's Audit Committee is composed entirely of its Non Executive Directors, Alex Borrelli, Rob Riddleston, Charles McGurin and Win Pauwels. The Audit Committee meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls.

There was a Board change to the executive directors in the year following Robert Ross's appointment as chief financial officer, with effect from 2 January 2020, replacing Stuart Howard. Robert is a qualified chartered accountant with PwC, having joined us from Europa Worldwide, where he was their Finance Director.

The Board reviews and considers the performance and outlook of the Group ensures that proper internal controls and systems are in place to allow proper financial monitoring and regulatory compliance. The Board has taken steps during the year to enhance the Group's IT systems and team.

Subsequently, the IT department has implemented systems in compliance with the General Data Protection Regulations, improved cyber security across the Group and is now focussed on upgrading our legacy systems and focusing on the use of cloud services for greater security away from servers on local premises.

On 1 September 2019, the Group appointed Charlotte Bennett as Group People Director.

The strengthened Board and senior management team is focused on strategic direction and development ensuring that appropriate governance and controls in place to support our delivery on strategy and the growth of our business both organically and through acquisitions. We will be closely monitoring changes in governance covering reporting on systems, gender pay reporting and general provision for our employees as we seek to develop our HR function during the current year.

We welcome dialogue with our shareholders and potential investors and look forward to welcoming you at our forthcoming AGM in May. You will also be able to make contact with the Company through our Company Secretary.

THE GROUP BELIEVES THAT GOOD GOVERNANCE WILL RESULT IN THE CONTINUED SUCCESS OF THE GROUP AND IMPROVE SHAREHOLDER VALUE.

PRINCIPLE ONE

Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy and business model and amendments thereto, are developed by the Executive Directors and the senior management team and approved by the Board. The senior management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

In order to deliver the optimal medium and long term value for its shareholders, the Board has adopted a strategy of continued organic growth across each of its business areas, together with the acquisition of strategically enhancing businesses which will complement the Group's existing operations in terms of new service offerings, capacity and/or geographic expansion.

Operating in a large, diverse yet fragmented sector, there are many opportunities for organic growth and M&A activity. Acquisitions should strategically enhance the Group's ability to offer a one stop solution to an ever-increasing customer base whilst also providing cross-selling opportunities, potential cost synergies and additional internal resources, thereby providing an improved service to our clients.

The Group's ability to execute its strategy is highly dependent on the skills and abilities of its people. We undertake ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

The Board believes the Group has the right strategy in place to deliver strong growth in profitability over the medium to long term which will enable the Group to deliver sustainable shareholder value.

The Board continually reviews its strategy and identifies the risk and uncertainties it faces in achieving this, details of which can be found on pages 18 to 21 of these accounts, under the heading "principal risks and uncertainties".

PRINCIPLE TWO

Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

The Chief Executive Officer and Chief Financial Officer are principally responsible for shareholder liaison and have regular dialogue with institutional investors in order to develop an understanding of their views.

The Group's investor relations activities encompass dialogue with both institutional and private investors. Meetings are held with analysts, investors and institutional shareholders of the Company following the interim and annual results announcements as well as on an ad hoc basis (where requested by fund managers).

These presentations are given by the Chief Executive Officer and the Chief Financial Officer, updating on relevant matters and, in particular, on the progress of the Company in terms of its operational performance, financial performance and strategic direction. The Company is also a regular presenter at private investor events and the Chief Executive Officer has also provided regular market updates through filmed interviews and podcasts available via links published on the website. The Company also endeavours to maintain a dialogue and keep shareholders informed through its public announcements and its corporate website, www. xpediator.com.

The Group's Annual Report as well as investor presentations are available on this website. The Annual General Meeting of the Company, normally attended by all Directors, gives the Directors the opportunity to report to shareholders on current and proposed operations and enables shareholders to express their views of the Group's business activities. Shareholders are encouraged to attend and are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

The Company has engaged the services of Equity Development who publish comprehensive research on the Group which is available to shareholders on the website.

In addition, shareholder communication is answered, where appropriate, by the Directors or the Company's Financial PR advisors.

The AGM is the main forum where all investors can meet with the Board but gives the retail investors a platform to discuss any matters they have.

Advance notice of the AGM is made available to all shareholders no later than 21 days before the meeting. All members of the Board normally attend the AGM and are available to answer any questions raised by shareholders. The AGM for 2019 was held on the 6 June 2019.

The Board proactively seeks to build relationships with all institutional shareholders by with regular presentations being given by the Chief Executive Officer and Chief Financial Officer following the release of the full-year and half-year results.

Also, the Board is in regular contact with the analysts to ensure any announcements or trading updates are reflected in the market expectations. The CEO and CFO visited the institutional investors in May and October of 2019 in relation to the above.

The Board is kept updated as to any concerns the investors may have by regular communication with the Company's NOMAD and joint brokers. All publicity concerning the Group is circulated by the Company's PR company Novella to ensure the Board is up to date with the public impression of the Company.

The Board is available to meet with all major shareholders if required to discuss issues of importance to them.

To request a meeting with the Board, please contact investor.relations@xpediator.com.

PRINCIPLE THREE

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the success of the Company is reliant on the stakeholders of the business and, to this effect, the Company engages with these stakeholder groups on a regular basis.

The Board recognises its responsibility under UK corporate law to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, suppliers and contractors and the local communities in which it operates.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

Aside from the regular meetings with investors, the Group also engages regularly with its suppliers and customers, and employees. The Board considers the employees as one of the key stakeholders within the Group and as such welcomes any feedback to ensure the alignment of both party's interests. This feedback can be provided by the use of on-site suggestion boxes for internal stakeholders, employee committee forums, and access to members of the Senior Operating Board, details on whom are set out at https://xpediator.com/board-of-directors and available on +44(0) 330 043 2395.

During the year the Operational Board and Senior management has met with the key suppliers and clients on numerous occasions. This is to ensure the ongoing relations are maintained and developed ensuring the success of the Group's strategy.

In 2019 the Group initiated an employee survey giving employees the opportunity to provide feedback to the Company. This would measure employee engagement, and thus how productive our people are and how engaged they are in their job. It would give employees a voice allowing them to provide open feedback.

The Group survey will play a role in making employees feel part of the enlarged Group, supporting our integration aspirations.

As part of our Group's procurement policy it ensures all suppliers adhere to the Company's Anti-Bribery and Corruption policy as well as its policy on modern slavery, which is available on the Company's website https:// xpediator.com/modern-slavery-statement

PRINCIPLE FOUR

Embed effective risk management, considering both opportunities and threats

The Board has overall responsibility for ensuring risk is appropriately managed across the business. The Board sets clear strategic objectives for the business. The risks to the achievement of those objectives are identified by corporate and divisional management. The audit committee provides further independent review and robust challenge.

The Board is satisfied with the effectiveness of the system of internal controls but, by their very nature, these procedures can provide reasonable, not absolute, assurance against material misstatement or loss.

This is particularly the case when integrating the operational and financial procedures of acquired businesses. Identified risks are evaluated, both before and after controls and mitigating actions have been applied, as to their likelihood of occurring and potential financial and reputational impact. Risks are treated in accordance with risk appetite, which has been defined by the Board across a range of risk categories.

The Group has initiated an Internal Audit function to help the Board monitor risks and ensure implementation of the Group's policies.

A more formal structure for the internal audit function is to be adopted by the Board in short course, including the targeting of certain key areas by the Internal Audit function as well as the subsequent reporting of their findings back to the Audit Committee. Through the activities of the Audit Committee, the effectiveness of the Group's internal controls as well as the Group's risk strategy is reviewed annually with the Company's auditors.

The success of the Group depends on its ability to mitigate and understand the risks facing the business and take appropriate action. The Board meets at least quarterly to evaluate the Group's risk appetite and ensure the risk register reflects the issues facing the business.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's actual results, compared to the budget, are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group.

The insured values and type of cover are comprehensively reviewed on a periodic basis.

The CEO and CFO meet members of the Group's Operating Board on a monthly basis to discuss their business area and to consider new risks and opportunities presented to the Group, making recommendations to the Board and/or Audit Committee as appropriate.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 18 to 21 of these accounts.

PRINCIPLE FIVE

Maintain a balanced Board

The members of the Board recognise that they have a collective responsibility and legal obligation to promote the interests of the Group. They are also responsible for ensuring the Group has adequate corporate governance policies in place to protect the business.

Currently the Board consists of 4 Non-Executive Directors, and two Executive Directors.

Details of the directors including brief biographies are set out on pages 24 and 25 of these financial accounts.

All Directors are subject to re-election at intervals of no more than three years.

The Board is responsible to the Company's shareholders for the proper management of the Group and met 7 times throughout the year. All Board members are encouraged to attend all meetings and were invited accordingly details of their attendance are shown in the table below.

In addition to the various committees established by the Group, the Board considers corporate governance as part of the board meetings. Each meeting follows a standard agenda, of which Corporate Governance is one such point. This ensures and allows the Board members to consider the issues facing the business regularly and frequently to ensure compliance across the group. Any action points arising from these discussions are then followed up accordingly.

Given the nature of the Group's operations, during the year the Board continually reviewed it's health and safety procedures.

During the year, the Board has also focused on Treasury controls now under review with the CFO.

The Board has established an Audit Committee and a Remuneration Committee, but given the size of the Company the Board does not consider a nominations committee is required and all appointments to the Board are made by the Board as a whole.

The Company is expected to implement a share option scheme during 2020.

The Board considers it collectively has an appropriate balance of skills and experience, as well as an appropriate balance of personal qualities and capabilities.

The Board will continue to review the situation and make any necessary appointments as required to maintain this balance or to reflect the scale and complexity of the business as it grows.

PRINCIPLE SIX

Ensure that between them the directors have the necessary up-to-date skills

The Board considers that all of the non-executive directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring considerable experience in the financial and operational development of the Group.

The Board also has the relevant professional and technical skills to ensure they are able to fulfil their duties. The CEO is a qualified chartered accountant with over 37 years' experience in the logistics sector and the CFO is a qualified chartered accountant with 15 years' experience in both finance and operational roles.

The Board believes that the current skills of the directors reflect a broad range of both commercial and professional skills across the relevant industries and territories in which the Group operates, plus the Board has sufficient experience of operating in public markets.

The Company does not however have a director designated as a Senior Independent Director.

In light of the size of the Board, and the nature and size of the Group's stage of development, the Board does not consider it necessary to appoint a Senior Independent Director at this stage but will nevertheless keep this under review as part of the Board's evaluation on Board effectiveness.

The Company is committed to a culture of equal opportunities for all employees regardless of gender. The Board will be diverse in terms of its range of culture, nationality and international experience. All 6 Directors are currently male, although there are two females on the Operating Board. If it is agreed to expand the Operating Board and main Board at a later date, (or indeed if/when new replacement directors are sought in the future), the Board will, when identifying appropriate candidates, look to include female candidates for consideration in senior and also Board roles, as demonstrated by the appointment of Charlotte Bennett during the year.

PRINCIPLE SEVEN

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The members of the Board are evaluated each year by the way of an annual appraisal by their peers. The appraisal determines the effectiveness and performance of each member with regards their specific roles as well as their role as a Board member in general.

The appraisal system will identify any areas of concerns and make recommendations for any training or development to enable the Board member to meet their objectives which will be set for the following year. The appraisal process will also review the progress made against the prior year's targets to ensure any identified skill gaps are closed.

The appraisals were carried out in late 2019 for all Board members, except Charles McGurin and Wim Pawells, who become Directors after the appraisals were conducted. Each member of the Board completed their own assessment of their performance during the period and also of each other, the assessments were then reviewed by the Chairman and a discussion was held with each Board member. The performance review compares performance against previous such reviews.

The appraisals considered the key core skills of the Board which covered the following areas, leadership skills, strategic thinking and planning the delivery of results, the management of people, communication, management of financial and other resources, personal effectiveness, expertise and intellect and judgement.

The appraisals considered the performance of the members of the Board over the previous 12 months and identified areas of improvement.

As well as the appraisal process, the Board will monitor the Non-Executives status as independent to ensure the suitable balance of Non-Executive and Executive members remains in place.

Succession planning is also a vital task for boards and the management of succession planning represents a key responsibility of the Board.

Whilst the Board considers this evaluation process is currently best carried out internally, the Board will keep this under review and may consider independent external evaluation reviews in due course as the Group grows.

PRINCIPLE EIGHT

Promote a corporate culture that is based on ethical values and behaviours

The board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. Our core values serve as a common language that allows all members of staff to work together as an effective team and it is these values and our shared long-term business vision and strategy that we believe will drive growth in shareholder value over the long term.

The Board is committed to three core values:

1. Creating a safe, positive and inclusive workplace environment
2. Engaging all stakeholders and the broader community with respect, integrity and honesty
3. Fostering a high-performance culture that values the contribution of all team members

In 2019 the Company appointed a Group People Director to improve the procedures in place throughout the Group.

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations because the Board recognises that the culture of any business is set by the actions and conduct of its Board of Directors.

The Board rewards the teams on the basis of success as measured by financial and non-financial performance, as judged by the operational chief operating officers and by the audit committee including the internal audit function, particularly related to the areas identified by control over financial and non-financial risk.

These values are enshrined in the written policies and working practices adopted by all employees in the Group. The Board takes the time to consider the wider ramifications to its stakeholders when making strategic and corporate decisions, whilst at the same time delivering the long-term objectives of stakeholders.

In order to ensure the core values are continually applied and adopted, the Board seeks to recruit the best talent available and create a diverse talent pool, to investing in the capabilities and well-being of our people which in turn contribute to the positive relationships with our customers and suppliers and within the communities that we serve.

The Board conduct interviews and obtain references for all senior management recruits, it carries out further reviews following a period of induction. It also conducts exit interviews with departing personnel in order to obtain feedback for the possible improvement of our systems and structure

2020 will see the Board develop further the human resource and internal audit functions in order to be able to support our organisation as it grows in terms of activities, personnel and countries of operations and are also focusing on training schemes and more direct group participation.

Having open communications with stakeholders allows them to give constructive feedback to the Board and enables the Board to monitor the reactions of those stakeholders to decisions made.

The Group believes in openness, integrity, honesty and trust as its core values, which it promotes through each of its different business units. The Group operates in international markets and is aware that respect of individual cultures is critical to corporate success. Accordingly, the Board endeavours to promote sound ethical values and behaviours and treats its customers, suppliers and business partners with such respect at all times.

The Board has implemented a code for Directors' and employees' dealings in securities which it considers to be appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group has a Health and Safety officer which monitors, reviews health and safety matters making recommendations to the Board.

The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations.

During the year the Board has reviewed its whistleblowing process which seeks to safeguard the Group and its employees.

As well as good practice in terms of corporate governance, it also provides employees with a process to raise any suspected wrong doings, misconduct or illegal acts that they have witnessed or become aware of.

This reconfirms the Group commitment to promoting the highest possible standards of openness, integrity and accountability across the business.

A full copy of our Whistleblowing Policy is attached and can also be found on our website: https://xpediator.com/whistleblowing-policy

In 2019 the Company became a corporate partner for the Transaid charity. Transaid seeks to improve the lives of those involved in the logistics industry globally.

PRINCIPLE NINE

Maintain governance structures and processes that are fit for purpose and support

The Board recognises that the responsibility for ensuring the Group operates in the correct manner is ultimately theirs and as such the Board has implemented various sub-committees and an Operating Board which helps implement the strategy of the Board. The executive directors have day-to-day responsibility for the operational management of the Group's activities. The non-executive directors are responsible for bringing independent and objective judgement to Board decisions.

There is a clear separation of the roles of the Chief Executive Officer and the non-executive chairman. The Chairman is responsible for overseeing the effectiveness of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the non-executive directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group. The Chief Executive Officer is responsible for implementing the strategy of the Board and managing the day-to-day business activities of the Group.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

AUDIT COMMITTEE

The Audit Committee has continued to play a key role in supporting the Board in all matters relating to financial reporting and governance.

During the year the Audit committee met 3 times during which they oversaw the review of the risk register, ensuring the Board has a full understanding of the risk and exposures facing the business.

The Audit Committee is composed entirely of Non Executive Directors. meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls.

The Audit Committee also keeps under review the scope and results of the annual audit. It considers the cost-effectiveness, independence and objectivity of the Auditor taking account of any non-audit services provided by them.

PRINCIPLE TEN

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining good communication with its shareholders. The Group has good relationships with its private shareholders and institutional shareholders who have regular access to the Executive Board to discuss the business development and progress as appropriate. The Investor Relations section of the Group's website also provides all required regulatory information as well as other helpful information for shareholders and other relevant stakeholders including podcasts and presentations.

Results of shareholder meetings and details of votes cast will be publicly announced through the regulatory system and displayed on the Group's website with suitable explanations of any actions undertaken as a result of any significant votes against resolutions.

In accordance with the regulations, the Company lists all the governance related announcements on its website, details of which can be found on the company website; https://xpediator.com/regulatory-news-service

Details of the Company's AGM and associated results are published on the company website, see following link. https://irpages2.equitystory.com/websites/rns_news/ English/1100/news-tool---rns---eqs-group.html?iframe=true&article=27665518&company= Xpediator.

The results of voting on all resolutions in future general meetings will be posted to the Company's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20% of independent votes.

Details of the Company's historical reports can be found on the Company's website, see following link; https://xpediator.com/investor-relations/results-andannouncements-2

This Corporate Governance statement will be reviewed at least annually to ensure that the Company's corporate governance framework evolves in line with the Company's strategy and business plan.

MEETINGS AND ATTENDANCE

The directors' attendance at Board and Committee meetings during the year is shown below:

DIRECTOR	Plc Board	Audit Committee	Remuneration Committee	Operating Board
Meetings held during the year	7	3	7	11
Director's Attendance				
Alex Borrelli	7	3	7	4
Stephen Blyth	7	-	-	11
Geoff Gillo	3	1	3	2
Stuart Howard	5	-	-	8
Rob Riddleston	7	3	7	4
Charles McGurin	2	1	1	2
Wim Pauwels	2	-	1	2

The operating board, which consist of the Group's executive directors and the COOs of the operating divisions meet regularly to discuss matters relating to the development of the Group and ongoing financial performance.

INTERNAL CONTROLS AND FINANCIAL RISK MANAGEMENT

The Board is responsible for establishing and maintaining the Group's financial and non-financial controls. The Board recognises that whilst internal controls reduce risk it cannot eliminate it completely.

The key procedures, which the Directors have established with a view to providing effective internal controls are set out below.

The Board sets policies, which it reviews regularly directly and through the audit committee, ensures that these policies are appropriate to mitigate key strategic, financial, operational, compliance and reputational risks.

Authorisation limits are in place

The Board ensures that there is an appropriate finance function for each business unit within the Group with the appropriately qualified and experienced professionals dependent on the size and complexity of the respective business.

Each business unit prepares monthly financial reports, which are circulated to the Group, which details operating results, cash flow, balance sheet information, compared to the budget and latest estimate.

Each business unit has clearly defined segregation of duties, authorisation limits and other key internal controls in place, which are suitable for the respective entity, dependent on the size and nature of the business unit.

Financial planning and monitoring

The Group sets annual budgets, which detail the operating results, cash flow, balance sheet information. These are updated at least twice in the year, all of which are subject to Board approval.

The Board reviews the business performance monthly by comparing the financial information, against the budget and latest estimate.

Policies, procedures and authorisation limits

The Group has adequate authorisation limits in place, which cover the key areas for the business units.

QUALITY AND INTEGRITY OF PERSONNEL

The competence and integrity of personnel are ensured through high recruitment standards and subsequent training. High quality of personnel is seen as an essential part of the control environment.

IDENTIFICATION OF BUSINESS RISKS

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

GOING CONCERN

The Directors have prepared the financial statements on a going concern basis, as explained in Note 3 to the financial statements. As at 31 December 2019, the Group had cash or cash equivalent totalling £12.0. The Group also has funding facilities in place which it does not envisage will be withdrawn thus there are sufficient funds available to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements.

DIRECTORS' REMUNERATION

The Board is responsible for an overall remuneration package for each of the executive directors and other senior executives capable of achieving the Company objectives and approved by the remuneration committee. Remuneration packages are designed to attract, retain and motivate directors of the right calibre.

FEES

The fees for non-executive directors are determined by the Board within the limits stipulated in the Articles of Association. The non-executive directors are not involved in any discussions or decisions about their own remuneration. Details of amounts received by the Directors during the year ended 31 December 2019 are set out in note 6 to the financial statements.

CONTRACTS OF SERVICE

The current executive directors have service contracts with the Company, of whom Stephen Blyth's can be terminated with a notice period of nine months by either party, and Robert Ross's can be terminated with a notice period of six months by either party. The Board considers that this is appropriate.

On 1 April 2020, Alex Borrelli, Rob Riddleston, Wim Pauwels and Charles McGurin and are now remunerated through the Xpediator Plc payroll, rather than via individual service Company's.

SHARE OPTIONS

Details regarding share options are set out in note 24 of the financial statements.

COMMUNICATIONS WITH SHAREHOLDERS

The Directors consider that the Annual Report is fair, balanced and understandable.

DIRECTORS

The Directors of the Company who were in office during the year to the date of signing the financial statements unless otherwise stated were:

- Alex Borrelli (Non-executive Chairman)
- Stephen Blyth (Executive Director)
- Charles McGurin (Non-executive Director) – appointed 8 November 2019
- Wim Pauwels (Non-executive Director) – appointed 8 November 2019
- Rob Riddleston (Non-executive Director)
- Robert Ross (Executive Director) – appointed 2 January 2020
- Geoff Gillo (Non-executive Director) resigned 6 June 2019
- Stuart Howard (Executive Director) resigned 6 September 2019

LONG TERM INCENTIVES

During 2018, the Stephen Blyth was granted share options with various vesting dates ranging from November 2018 to May 2021. The options are targeted to EPS growth to align the Board's focus to that of the investors.

Full details of the share options are disclosed in note 24 of the accounts.

DIRECTORS REMUNERATION

DIRECTORS' REMUNERATION

The remuneration of Directors for the year ended 31 December 2019 was as follows:

DIRECTOR

Director	Base Salary £000	Bonuses £000	Share Option £000	Other benefits £000	2019 Total £000	2018 Total £000
Alex Borrelli	50.0	-	-	-	50.0	75.3
Stephen Blyth	300.0	-	11.0	19.0	330.0	330.9
Geoff Gillo	10.4	-	-	-	10.4	32.7
Stuart Howard	150.5	-	-	5.6	156.1	115.8
Rob Riddleston	28.3	-	-	-	28.3	12.5
Charles McGurin	7.5	-	-	-	7.5	-
Wim Pauwels	5.0	-	-	-	5.0	-
Richard Myson	-	-	-	-	-	119.3
Total	**551.7**	**-**	**11.0**	**24.6**	**587.3**	**686.5**

DIRECTORS AND THEIR INTERESTS- INTEREST IN ORDINARY SHARES OF 5P

The Directors of the Company held the following interest in the ordinary shares of Xpediator plc:

Director	31 December 2019 Number	31 December 2019 %	31 December 2018 Number	31 December 2018 %
Alex Borrelli	436,667	0.32	-	-
Stephen Blyth[5]	35,340,000	25.97	34,840,000	26.06
Geoff Gillo	-	-	-	-
Rob Riddleston	2,003	0.00	2,003	0.00
Charles McGurin	62,762	0.05	-	-
Wim Pauwels	200,000	0.15	-	-
Richard Myson	-	-	3,955,000	2.96
Total	**36,041,432**	**26.48**	**38,797,003**	**29.02**

[5] shares held via Cogels Investment Limited and Blyth family members

SHARE OPTIONS AND WARRANTS

The Directors of the Company held the following options for Xpediator plc which were issued to the

Director	Granted in the year Number	31 December 2019 Number	Exercise price Pence	Vesting Date	Expiry Date*
Stephen Blyth		857,143	70.00	November 2018 to May 2021	December 2021
Total	**-**	**857,143**			

* Full details are disclosed in note 24 of the accounts

CEO PAY RATIOS

Year	Method	CEO Single Figure	All UK Employee	Lower Quartile	Median	Upper Quartile
2019	Option B	329,823	Ratio	16 : 1	13 : 1	10 : 1
			Total Salary	**20,210**	**24,932**	**34,030**

The CEO pay ratios have been calculated using 'option B', which is to use the gender pay data to identify the three employees that represent the lower quartile, the median and the upper quartile. We believe this provides us with a clear methodology involving less adjustments to impute Full-time Equivalent earnings. Therefore, we believe this option is more likely to produce more robust data year on year. The data used to calculate CEO pay ratio is only for employees on UK payrolls.

DIRECTORS REPORT

PRINCIPAL ACTIVITIES

Xpediator is an AIM listed freight management company which includes freight forwarding, logistics and the provision of services to the transport sector (Affinity Division). The Group has been in the business of freight management for over 30 years.

The consolidated Financial Statements give the Group results for the year ended 31 December 2019.

The Group and its subsidiaries operate from a network of 11 countries in Europe, mainly in Central and Eastern European areas and the UK.

The Group's overall financial objectives are to increase revenue, profitability, network coverage and enhance the asset base supporting the business. In order to monitor its progress towards achieving these objectives, the Group has set a number of key performance indicators, which deal predominately with revenue, profitability, margin and cash flow as per pages 16 and 17 in the Strategic Report.

RESULTS AND DIVIDENDS

The Group reports its Consolidated Financial Statements in accordance with International Financial Reporting Standards, the results of which for the year are set out in the Consolidated Statement of Comprehensive Income on page 47.

Subject to approval by shareholders, the Group will propose a dividend via a scrip issue to shareholders on the register at the close of business on 31 May 2020. This has been proposed given the current issues around COVID-19, but it is expected that dividend payments at the interim will return to being in cash after the announcement of our interim half year results.

SHARE CAPITAL

Details of the changes in the share capital are set out in note 22 to the financial statements.

At 31 December 2019, the Company had been notified of the following interests amounting to 3% or more of the voting rights attaching to the Company's issued share capital:

Significant Shareholder	Percentage of issued share capital
Cogels Investments Limited	25.97%
Mr Shaun R Godfrey	16.16%
Mr Sandu Grigore	11.15%
Cavendish Asset Management	6.94%
Berenberg Bank	6.20%
Rathbone Investment Management	3.1%

FINANCIAL INSTRUMENTS

As at 31 December 2019 the Company had borrowings from Lloyds bank in the UK and an invoice discounting facility provided by Barclays bank totalling £5.0 million. The financial risk management objectives and policies are disclosed in note 21 and summarised on page 21 in the strategic report.

DIRECTORS

The Directors of the Company during the period and to the date of this report are as follows:

Executive

- Stephen Blyth
- Stuart Howard (resigned 6 September 2019)
- Robert Ross (appointed 2 January 2020)

Non-Executive

- Alex Borrelli
- Charles McGurin (appointed 8 November 2019)
- Wim Pauwels (appointed 8 November 2019)
- Rob Riddleston
- Geoff Gillo (resigned 6 June 2019)

The biographical details of the Directors are given on pages 24 and 25 and the Directors' remuneration, share options, long-term executive plans, pension contributions, benefits and interests are set out in the Directors' remuneration report on page 35.

DIRECTORS' INDEMNITY PROVISIONS

The Group purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

POLITICAL DONATIONS

The Group made no political donations in the financial year.

EMPLOYEE INVOLVEMENT

The Group regularly consults with the employees of the Company to ensure that their opinions are considered when decisions are made that are likely to affect their interests.

Details of the Group's activities are regularly communicated to the employees via a Company employee newsletter, plus the regular circulation of Company announcements which include the interim and annual results.

EQUAL OPPORTUNITIES

The Group is committed to eliminating discrimination and encouraging diversity. Its aim is that each employee is able to perform to the best of their ability.

As such it is the Group's policy to employ the best person for the role, irrespective of gender, nationality, race, sexual orientation or disability. As such applications for employment by disabled individuals are given full and fair consideration. If an employee becomes disabled, the Group makes every effort to retrain them in the business in a suitable role.

STATEMENT, AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors in office on 17 April 2020 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware.

Each Director has confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR APPOINTMENT

Crowe U.K. LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to re-appoint Crowe LLP will be proposed at the AGM.

RELATED PARTY TRANSACTIONS

Any related party transactions required to be disclosed under the AIM rules are disclosed in note 26 to the financial statements.

MODERN SLAVERY ACT

Our Anti-slavery policy, which sets out our commitment to preventing modern slavery and human trafficking from occurring within any part of our business and supply chain, is available on our website, www.xpediator.com.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

Details of post balance sheet events are given in note 26 of the financial statements.

Planned future developments are disclosed in the strategic report on page 10.

GOING CONCERN

The Directors are satisfied that the Group has adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements and that it is appropriate to prepare financial statements on the going concern basis. Further details are given in note 3 to the financial statements.

APPROVAL

This Directors' report was approved on behalf of the Board on 17 April 2020. and signed on its behalf by:

Stephen Blyth
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and as required by the Alternative Investment Market rules of the London Stock Exchange, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on

the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the Financial Statements contained therein.

This report was approved by the board on 17 April 2020 and signed on its behalf by:

Stephen Blyth
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XPEDIATOR PLC

OPINION

We have audited the financial statements of Xpediator PLC (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise:

- the Group income statement and statement of other comprehensive income for the year ended 31 December 2019;
- the Group and Parent Company statements of financial position as at 31 December 2019;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

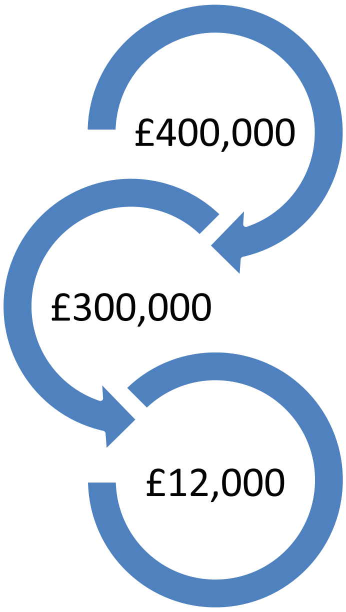
We have nothing to report in respect of the following matters in relation to which ISA's (UK) require us to report to you when:

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

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.



- £400,000 (2018: £530,000) is the Group level of materiality determined for the financial statements as a whole, this has been determined based on approximately 8% (2018: 9%) of adjusted profit before tax defined as the profit for the year before taxes adjusted for listing costs, costs associated with subsidiary acquisitions and potential acquisitions and non-cash interest charges arising on deferred consideration on acquisition of subsidiaries and transition to IFRS 16. As the Group is committed to making profits for its shareholders we determined that a profit based metric was the most appropriate to use for determining materiality.
- £300,000 is the Group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.
- £12,000 is the Group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

Parent Company materiality was assessed as £85,000 based on approximately 2% of its profit before tax.

Overview of the scope of our audit

There are ten significant components of the Group, located and operating in and into four geographical areas, United Kingdom, Bulgaria, Lithuania and Romania. The audits of Xpediator PLC and its UK subsidiary undertakings were conducted from the UK. Audit work on significant non-UK component, Delamode Bulgaria EOOD, Delamode Baltics UAB, and Delamode Romania Srl, Affinity Transport Solutions, Srl and Pallet Express Srl,was carried out by members of the Crowe Global international network as component auditors. Financial information from other components not considered to be individually significant was subject to limited review procedures carried out by the group audit team.

We engaged with the component auditors at all stages during the audit process and directed the audit work on the non-UK subsidiary undertakings. We directed the component auditor regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on. At the planning stage we determined that the audit team, including the audit engagement partner, would visit the component auditors and the principal finance locations of the significant non-UK components in order to review the component auditors' working papers, discuss key findings directly with the component audit team, specialist team members and component auditor reporting partner and conclude on significant issues. This proved not to be possible because of the impact of the COVID-19 pandemic in relation to quarantine restrictions in northern Italy and the surrounding region which impacted our network firms in Romania in particular. We therefore determined that regular progress calls and remote audit file reviews were appropriate in the exceptional circumstances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	*How the scope of our audit addressed the key audit matter*
Going concern, COVID-19 impact assessment *Note 2 of the Group financial statements* At 31 December 2019 the Group had cash and cash equivalents of £11,951,000 (2018: £9,647,000). The Group also has funding facilities in place, details of which are set out in note 19 of the financial statements, which it does not envisage will be withdrawn. The COVID-19 pandemic has not, to date, had a significant adverse impact on the Group's operations but the Directors are aware that if the current situation becomes prolonged then this may change. At the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be. The risk that the COVID-19 pandemic and the resulting economic consequences would adversely impact on the Group and its ability to operate as a going concern was considered to be a key audit matter.	We obtained management's assessment of the impact of COVID-19 on the business of the Group and the re-forecast financial projections. We performed audit procedures, including challenge regarding reasonableness on the inputs into the model as follows: • reviewed the revised forecast revenues and resulting cash flows within the assessment period, in the UK and significant non-UK components; • compared the re-forecast to available management information for the business in April 2020 and normal seasonality of revenues; • considered the overall impact on the re-forecast of those parts of the business, such as leisure and hospitality, expected to be significantly impacted and those parts, such as food retail and healthcare which are expected to grow in the short term; • benchmarked the financial impact of the steps taken by the directors to utilise the various support mechanisms instigated by government, including the Coronavirus Job Retention Scheme; and • reviewed and challenged the financial impact of the steps taken by the directors to protect and manage the business during the coming period, including the introduction of temporary pay reductions across the business, overhead reductions and suspension of certain capital investment projects. We considered management's sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an erosion of revised headroom in the re-forecast. We tested to ensure the mathematical accuracy of the model presented We reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the business and its revised COVID-19 impairment assessment.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Impairment of intangible assets (including goodwill) *Notes 12 of the Group financial statements* The Group's intangible assets comprise of licences, goodwill, customer related and technology related, predominantly arising from the recent business combination. The total carrying value of the intangible assets was £24.7million at 31 December 2019 (31 December 2018: £24.9 million). The Group's profit in the year was significantly lower than in the previous year and since the reporting date the market capitalisation of the Group has fallen below the total equity recorded in the statement of financial position. Given this we considered that there are indicators of potential impairment.	We obtained management's assessment of impairment and discussed the key inputs into the assessment with management. We performed audit procedures, including challenge regarding reasonableness on the inputs into the model as follows: • the forecast cash flows within the assessment period; • the expected growth rate; and • the discount rate applied to the forecast. We considered managements' sensitivity analysis and also performed an additional range of sensitivities to assess whether a reasonably likely change to a key input would result in an impairment charge; We tested to ensure the mathematical accuracy of the model presented; and We reviewed the appropriateness of the disclosure made and its consistency with our knowledge of the impairment assessment.
Recoverability of trade receivables *Note 17 of the Group financial statements* The Group has material trade receivables, after allowances for impairment, of £51.2 million at 31 December 2019 (31 December 2018: £50.7 million). The recoverability of trade receivables is considered to be a key audit matter.	Our audit procedures included the following: • We reviewed the recoverability of trade receivables by reference to post year end receipts. • We sought direct written confirmation from a sample of customers of the trade receivable balance at the reporting date. • We evaluated the adequacy of the expected credit loss provisions and enquired of management in relation to any unpaid debts due past their credit terms. • We reviewed and challenged management on the expected loss rate applied to the ageing profile of the trade receivables at the reporting date with reference to the historical experience and adjusted to reflect future economic conditions.

Key audit matter	*How the scope of our audit addressed the key audit matter*
The adoption of IFRS 16 leases *Note 2.1 and 25 of the Group financial statements* The Group adopted IFRS 16 from 1 January 2019. The transition to IFRS 16 and the application of the new accounting policies was considered to be a significant audit risk.	We reviewed Group's approach to the adoption of the new standard to determine whether it is in line with the guidance contained in IFRS 16. We performed the following procedures: • We reviewed lease agreements in respect of material leased assets and related liability balances. • We assessed whether leases that are considered to be short term leases or leases for which the underlying asset is of low value have been appropriately excluded from the balance sheet. • For those leases that fall within the scope of IFRS 16 we reviewed the calculation of the right of use asset and lease liability. We agreed the inputs in the calculation to lease agreements. We confirmed that the calculations involved are mathematically correct. • We assessed whether the discount rates that have been used to determine incremental borrowing rates are appropriate through benchmarking and obtaining supporting evidence. • We reviewed the calculation of depreciation and relevant lease liability interest and confirmed that these are calculated appropriately.
Revenue recognition *Note 3 of the Group financial statements* The Group enters into a number of types of contract with its customers. Revenue recognition policies vary depending on the underlying contract. Errors in application could result in revenue being recognised inappropriately at a point in time or over time where performance obligations have not been met.	Our audit procedures included the following: We carried out procedures to test each different revenue stream and to consider whether the revenue recognition policy applied to the revenue stream was appropriate, having regard to the contractual terms and service obligations. We agreed the performance obligations identified by management to a sample of contracts to ensure the adopted accounting policy was appropriate. For a sample of transactions, we selected contracts with the customers and reviewed their terms and conditions. Based on this understanding, we considered if the underlying income was recognised in accordance with the stated accounting policy and IFRS 15.

For the Parent Company we identified one key audit matter:

Key audit matter	*How the scope of our audit addressed the key audit matter*
Carrying value of investments in subsidiaries *Note 5 of the Parent Company financial statements* At 31 December 2019 the carrying value of investments in subsidiaries in the financial statements of the Parent Company was £56.9 million (31 December 2018: £55.7 million). This was greater than the market capitalization of the Group at the reporting date. Given this we considered that there are indicators of potential impairment.	We obtained management's assessment of the impairment of investments in subsidiaries. We considered the following matters: • the reasonableness of the assumptions used by management in assessing the ability of the subsidiary companies to generate cash and remit that to the Parent Company; and • the mathematical accuracy of the underlying forecasts.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

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 this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 38 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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

Stephen Bullock (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
17 April 2020

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Gross billing	7	350,121	312,497
CONTINUING OPERATIONS			
Revenue	3	213,247	179,174
Cost of sales		(160,643)	(137,490)
GROSS PROFIT		52,604	41,684
Other operating income	4	1,193	935
Impairment losses on receivables	5	(836)	(1,053)
Administrative expenses	5	(49,133)	(35,390)
Exceptional items included in administrative expenses above	27	(856)	(318)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		4,684	6,494
OPERATING PROFIT	5	3,828	6,176
Share of loss of equity accounted associate	16	(60)	(78)
Finance costs	8	(1,674)	(582)
Finance income	8	81	100
PROFIT BEFORE INCOME TAX		2,175	5,616
Income tax	9	(872)	(885)
PROFIT FOR THE YEAR		**1,303**	**4,731**
Profit attributable to:			
Owners of the parent		810	4,421
Non-controlling interests		493	310
		1,303	**4,731**
Earnings per share attributable to the ordinary equity holders of the parent:			
Basic earnings pence per share	10	0.60	3.53
Diluted earnings pence per share	10	0.60	3.43
Adjusted basic earnings pence per share	10	2.80	4.80
Adjusted diluted basic earnings pence per share	10	2.79	4.66

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
PROFIT FOR THE YEAR	1,303	4,731
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(705)	199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**598**	**4,930**
Total comprehensive income attributable to:		
Owners of the parent	143	4,612
Non-controlling interests	455	318
	598	**4,930**

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSET			
Intangible assets	12	24,706	24,908
Property, plant and equipment	13	2,516	2,355
Right-of-use assets	25	27,385	–
Investments	16	1	61
Trade and other receivables	17	1,050	1,194
Deferred tax	9	210	225
		55,868	**28,743**
CURRENT ASSETS			
Inventories		118	58
Trade and other receivables	17	60,927	60,310
Cash and cash equivalents		11,951	9,647
		72,996	70,015
TOTAL ASSETS		**128,864**	**98,758**

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	22	6,854	6,736
Share premium	23	11,987	11,868
Equity reserve	23	16	38
Translation reserve	23	70	737
Merger reserve	23	3,102	2,323
Retained earnings	23	6,094	6,773
Issued share capital and reserves attributable to the owners of the parent		28,123	28,475
Non-controlling interests		887	586
TOTAL EQUITY		**29,010**	**29,061**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred consideration	18	–	2,089
Provisions	20	1,674	1,523
Lease liabilities – right-of-use assets	25	21,535	-
Interest bearing loans and borrowings	19	2,275	2,648
Trade and other payables	18	101	-
Deferred tax liability	9	1,968	2,204
		27,553	**8,464**
CURRENT LIABILITIES			
Trade and other payables	18	58,579	56,072
Lease liabilities – right-of-use assets	25	6,392	-
Deferred consideration	18	4,607	1,409
Interest bearing loans and borrowings	19	2,723	3,752
		72,301	**61,233**
TOTAL LIABILITIES		99,854	69,697
TOTAL EQUITY AND LIABILITIES		**128,864**	**98,758**

The financial statements were approved by the Board of Directors on 17 April 2020 and were signed by:

Stephen Blyth

CEO

17 April 2020

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital £'000	Share Premium £'000	Equity Reserve £'000	Translation Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000	NCI £'000	Total Equity £'000
Carried forward 31 December 2018		**6,736**	**11,868**	**38**	**737**	**2,323**	**6,773**	**28,475**	**586**	**29,061**
Contributions by and distribution to owners										
Dividends paid	11	–	–	–	–	–	(1,522)	**(1,522)**	(154)	**(1,676)**
Share based consideration on acquisition	22	87	–	–	–	779	–	**866**	–	**866**
Share option charge	24	–	–	11	–	–	–	**11**	–	**11**
Share options exercised	24	31	119	(33)	–	–	33	**150**	–	**150**
Total contribution by and distribution to owners		**6,854**	**11,987**	**16**	**737**	**3,102**	**5,284**	**27,980**	**432**	**28,412**
Profit for the year		–	–	–	–	–	810	**810**	493	**1,303**
Exchange differences on translation of foreign operations		–	–	–	(667)	–	–	**(667)**	(38)	**(705)**
Total comprehensive income for the year		**–**	**–**	**–**	**(667)**	**–**	**810**	**143**	**455**	**598**
Balance at 31 December 2019		**6,854**	**11,987**	**16**	**70**	**3,102**	**6,094**	**28,123**	**887**	**29,010**

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital £'000	Share Premium £'000	Equity Reserve £'000	Translation Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000	NCI £'000	Total Equity £'000
Carried forward 31 December 2017		**5,922**	**5,792**	**69**	**546**	**(1,509)**	**3,535**	**14,355**	**413**	**14,768**
Contributions by and distribution to owners										
Dividends paid	11	–	–	–	–	–	(1,323)	**(1,323)**	(145)	**(1,468)**
Share based consideration on acquisition	22	278	–	–	–	3,832	–	**4,110**	–	**4,110**
Share option charge	24	–	–	109	–	–	–	**109**	–	**109**
Share options exercised	24	36	–	(140)	–	–	140	**36**	–	**36**
Issue of share capital	22	500	6,076	–	–	–	–	**6,576**	–	**6,576**
Total contribution by and distribution to owners		**6,736**	**11,868**	**38**	**546**	**2,323**	**2,352**	**23,863**	**268**	**24,131**
Profit for the year		–	–	–	–	–	4,421	**4,421**	310	**4,731**
Exchange differences on translation of foreign operations		–	–	–	191	–	–	**191**	8	**199**
Total comprehensive income for the year		**–**	**–**	**–**	**191**	**–**	**4,421**	**4,612**	**318**	**4,930**
Balance at 31 December 2018		**6,736**	**11,868**	**38**	**737**	**2,323**	**6,773**	**28,475**	**586**	**29,061**

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	1	15,803	5,135
Interest paid		(909)	(305)
Tax paid		(729)	(1,097)
Net cash from operating activities		14,165	3,733
Cash flows from investing activities			
Purchase of tangible fixed assets	13	(1,321)	(554)
Acquisition of subsidiaries, net of cash acquired	12	-	(6,069)
Purchase of intangible fixed assets	12	(498)	(171)
Cash paid on deferred consideration of acquisition		(206)	(315)
Sale of investments	16	–	83
Interest received	8	29	29
Net cash outflow from investing activities		(1,996)	(6,997)
Cash flows from financing activities			
New loans in year	19	–	908
Loan repayments in year	19	(1,217)	(362)
Share issue (net of share issue costs)	22	150	6,613
Transactions with non-controlling interests	15	(6)	(310)
Dividends paid	11	(1,522)	(1,323)
Repayment on leases		(6,546)	-
Non-Controlling interest dividends paid	15	(154)	(145)
Net cash inflow from financing activities		(9,295)	5,381
Increase in cash and cash equivalents		2,874	2,117
Cash and cash equivalents at beginning of year		9,647	7,340
Effect of foreign exchange rate movements		(570)	190
Cash and cash equivalents at end of year		**11,951**	**9,647**

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
Profit before income tax before ordinary activities before results of associate	2,235	5.694
Loss of equity accounted associate	(60)	(78)
Depreciation charges	6,990	712
Amortisation charges	1,587	1,105
Loss on disposal of fixed assets	32	13
Finance costs	1,674	582
Finance income	(81)	(100)
Share based payments charge	(11)	109
Impairment of intangible assets	–	1,845
Deferred consideration write back and vendor income on Benfleet Forwarding Limited	–	(2,592)
Deferred consideration charge on Regional Express Limited and Anglia Group Forwarding Limited	666	–
	13,032	**7,290**
(Increase) in inventories	(60)	(8)
(Increase) in trade and other receivables	(473)	(6,957)
Increase in trade and other payables	3,153	3,287
Increase in provisions	151	1,523
Cash generated from operations	**15,803**	**5,135**

2. ACCOUNTING POLICIES

Description of the business

Xpediator Plc (the "Company") is a public limited company, incorporated in England and Wales, United Kingdom. The registered office is 700 Avenue West, Skyline 120 Great Notley, Braintree, Essex, CM77 7AA and the Company registration number is 10397171.

The consolidated financial statements comprise the financial information of the Company and its subsidiary undertakings (together the "Group"). Detail of the entities of the Group are described in Note 14.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU issued by the International Accounting Standards Board, under the historical cost convention. Accounting policies have been consistently applied from 2018 except for the introduction of the new standard IFRS 16.

The presentation currency used for the preparation of the financial statements is Pounds Sterling (£), which is the currency of choice of the principal investors of the Group. The amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 2.3 – Critical accounting estimates and judgements).

Going concern

The Group meets its working capital requirements through the receipt of revenues from the provision of its services in the UK and in CEE, the management of capital and operating expenditure, from the working capital and other borrowing facilities available to it and, from time to time, from the issue of equity capital.

Ultimately the receipt of revenues and charges due to the Group depends on the availability of liquidity for the company's customers and the level of transport and logistics activity in the market. The COVID-19 pandemic has had a significant, immediate impact on the UK and global economies and on the operations and operational funding of participants in international and UK supply chains.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

The COVID-19 pandemic has not, to date, had a significant adverse impact on the Group's operations but the directors are aware that if the current situation becomes prolonged then this may change. Further details of the current assessment of the impact on the business are set out in the strategic report. Based on very recent trends, the directors believe that demand for the Group's freight management and warehouse services, both in the UK and CEE, will remain robust overall but will be volatile, and that the Group has the systems and protocols in place to meet this demand. At the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be.

At 31 December 2019 the Group had cash and cash equivalents of £11,951,000 (2018: £9,647,000). The Group also has funding facilities in place, details of which are set out in note 19 of the financial statements, which it does not envisage will be withdrawn.

The directors prepare annual budgets and forecasts in order to ensure that they have sufficient liquidity in place in the business. In addition, in response to the rapidly evolving COVID-19 situation, the directors, in formulating the plan and strategy for the future development of the business have considered a period beyond that for which formal budgets and forecasts are prepared and have stress tested the financial projections of the business by applying a number of scenarios including reductions in forecast revenues, delays in collection of receivables, delays in new business pipeline and mitigation or deferral of capital and operational expenditure.

The directors have taken steps to utilise the various support mechanisms instigated by UK and various CEE governments, including the use of the Coronavirus Job Retention Schemes and CEE equivalents (eg Technical Unemployment Process in Romania). The Operating and Executive Board began a process of twice weekly phone calls starting 12 March 2020 where they discuss operational and financial metrics, including regularly review of volume activity and revenue. To further protect and manage the business responsibly during this extraordinary period, the directors have introduced temporary pay reductions, negotiated rent free periods, recruitment freezes and reducing other costs through a strategic review of business overheads, as well as suspending certain capital investment projects.

Having regard to the above, and based on their latest assessment of the budgets and forecasts for the business of the company, the directors consider that there are sufficient funds available to the Group to enable it to meet its liabilities as they fall due for a period of not less than twelve months from the date of approval of the financial statements. The directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of Xpediator Plc and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The Company has control over a subsidiary if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. Intra-group balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Xpediator Plc.

Subsequent to the merger accounting noted below the consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Merger accounting

On 25 May 2017, the Company entered into a share swap agreement with the ultimate beneficiaries of Delamode Group Holdings Limited, whereby 4,000,000 new ordinary shares of £1.00 each were issued to the ultimate beneficiaries of Delamode Group Holdings Limited in exchange for their shares in Delamode Group Holdings Limited in the same proportion as their shareholding in Delamode Group Holdings Limited. The merger method of accounting is used to consolidate the results of Xpediator Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Merger accounting (continued)

On 8 June 2018, the Company issued 1,727,694 new ordinary shares of £0.05 each as part of the deferred consideration of Easy Managed Transport Limited ("EMT"). The premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

On 14 July 2018, the Company issued 3,740,648 new ordinary shares of £0.05 each as part of the acquisition of Import Services Limited. The premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

On 31 December 2018, the Company issued 84,951 new ordinary shares of £0.05 each as part of the deferred consideration of Regional Express Limited ("Regional"). The premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

On 16 May 2019, the Company issued 1,655,876 shares to the former owners of EMT as part of the payment of the deferred consideration relating to the acquisition of the entire equity of EMT in 2017. The premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

On 5 December 2019, the Company issued 89,744 shares to the former owners of Regional as part of the payment of the deferred consideration relating to the acquisition of the entire equity of Regional in 2017. The premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

Revenue

The Group generates revenue in the UK and Europe.

The Group operates a number of diverse businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS 15. The revenue and profits recognised in any reporting period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record, and associated balance sheet items (such as trade receivables, contract assets and contract liabilities), management is required to review performance obligations within individual contracts. This may involve some judgemental areas (for example within the logistics & warehousing Business), where revenue is recorded in advance of invoicing the customer.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer. For all contracts, the Group determines if the arrangement with a customer creates enforceable rights and obligations, which is in line with our contractual commitments and industry standard best practice (for example Convention Relative au Contrat de Transport International de Marchansies par la Route or CMR).

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group has assessed the period of time principles as follows:

- Customers receives the benefits of the good being moved from the origin to the destination, as another supplier would not need to re-perform the service performed to date (ie the goods have been moved partway).
- The customer becomes committed to pay the Group the moment that the goods are despatched and collected.
- The customer accepts that they are liable to pay for the transaction in full although it is the Group's responsibility to ensure that the shipment is in transit before invoicing.
- The customer can usually be invoiced on despatch/export and has an obligation to pay for services despite any problems that may arise in transit.
- The Group would hold any third party liable for any issues that happen in transit that is beyond its reasonable control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

The Group recognises that it acts as both an agent and a principal. The Group is a principal if it responsible for the specified good or service before that good or service is transferred to a customer. The Group is an agent if it is not responsible for arranging for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. The Affinity business (see Affinity section of revenue recognition policy) primarily operates as an agent, and largely recognises only the commission earned as revenue.

Freight forwarding

Under IFRS 15, freight forwarding revenue is recognised over the period of time based on the principles identified above. Therefore, revenue will consist of freight delivered during the period as well as a proportion of revenue for service delivered that are in process as at the end of the reporting period, which is calculated on a time proportioned basis.

Logistics & warehousing

Logistics & warehousing revenue is recognised over a period of time. Invoicing varies by contract but is typically in line with work performed. Due to the different contractual arrangements in place, each customer is assessed to determine the amount of work carried out, which has not been invoiced at the date of the Group's reporting period. This revenue is recognised by direct reference to the amount of work carried out to deliver the service and measured relative to cost or over the time period which the warehousing is provided. Judgement is therefore required when determining the appropriate timing and amount of revenue that can be recognised. The revenue from handling of incoming products is recognised when a performance obligation is satisfied, but not invoiced at the reporting date, which is correspondingly accrued on the statement of financial position within contract assets.

Affinity

Revenue is recognised at a point in time only after the performance obligation has been actually been delivered. Affinity and trucking services revenue largely acts as an agent based on the assessment above, so only commission is recorded as revenue. This largely relates to provision of DKV fuel cards, which enables the customer to purchase fuel, tolls and other services.

In addition, the Affinity business operates as a reseller ferry crossings, where revenue is recorded at a point in time as it is based on the performance obligation being delivered. Revenue for this part of the business is recorded as a principal due to the assessments identified above.

Gross billings (Affinity)

Recoverable disbursements incurred on behalf of our Affinity Division customers based in Romania and the West Balkans include fuel costs, toll charges and breakdown assistance. The gross billings figure is included within the Groups trade payables and receivables but are excluded from consolidated income statement revenue. The gross billing revenue number is a non-statutory measure but is included to make a more meaningful calculation of days sales outstanding and days payable outstanding, so it is important to understand the level of billings going through the sales and purchase ledgers.

Franchise income

Income relating to franchise fees are not recorded as revenues by the Group but are shown as other income. This revenue arises from the sales of services to the franchisees. This income is recognised over a point in time based on when the services have been transferred to the franchisee in accordance with the terms and conditions of the relevant agreements.

Franchise fees comprise of revenue for the initial allocation of the franchise to the respective member, IT support, marketing and the use of the intellectual property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

If the cost of the acquisition is less than the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, the difference is recognised directly in the Consolidated Income Statement.

Associates

Management has applied judgement in determining that International Cargo Centre Limited (ICC) is an associate of the Group. The Group has significant influence by virtue of holding a 40% equity interest which presumes significant influence per IAS 28, together with having one of three directors on the board, while taking into account that the remaining 60% interest is held by one other party.

Non-controlling interests

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Goodwill

Goodwill arising on the acquisition of a business represents any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. The identifiable assets and liabilities acquired are incorporated into the consolidated financial statements at their fair value to the Group.

Goodwill is not amortised but tested for impairment annually. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill with indefinite useful economic lives are undertaken annually in November as part of the Group's budgeting process, except in the year of acquisition when they are tested at the year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its Cash Generating Units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currencies

The financial statements of the Group are presented in its reporting currency of Sterling. The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Transactions in foreign currencies during the period have been converted at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated at the rates of exchange ruling on the balance sheet date. Any gains or losses arising from these conversions are credited or charged to the Consolidated Income Statement.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial assets

The Group classifies its financial assets into the categories discussed below, depending on the purpose for which the asset was acquired. The Group only has financial assets classified as held at amortised cost. The financial assets comprise of trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held with banks, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position, unless there is a right of set-off between bank accounts across the Group. In this instance, the net cash position will be shown.

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. Trade receivables are recognised initially at the transaction price and other financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. They are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a historical provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administration costs in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised, unless further information becomes available contrary to the increased credit risk. For those that are determined to be permanently credit impaired, lifetime expected credit losses are recognised.

Capital management

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, invoice discounting and long term loan finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

The Group classifies its financial liabilities into two categories:

Other financial liabilities

The Group's other financial liabilities include bank loans, confidential invoice discounting facility, trade and other payables and accruals. Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value through profit and loss

This category only comprises of the element of deferred consideration on business combinations, which is contingent on the performance of the acquired businesses. The expected consideration payable is assessed at each balance sheet date with the movement in the expected liability being recorded in the income statement.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

Leased assets

During the year, the Group has changed its accounting policy for leases where the group is the lessee. The new policy is set out below and the impact of the change is described in note 2.1.

Until to 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Under the new policy, IFRS 16 has introduced a single, on-balance sheet accounting model for lessees, eliminating the distinction between operating and finance leases. IFRS 16 has impacted how the Group accounts for leases under IAS 17. On initial application, the Group has performed the following:

- Recognised right of use assets and lease liabilities in the consolidated statement of financial position, measured at the present value of future lease payments, discounted using the rate implicit in the lease or the lessee's incremental borrowing rate if this is not stated. These are included within right-of-use assets and lease liabilities respectively;
- Recognised depreciation of right of use assets and interest on lease liabilities in the consolidated income statement;
- 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.

The incremental borrowing rate is calculated on a lease by lease basis. The weighted average lessee's borrowing rate applied to the lease liabilities on 1 January was 3.42%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Policy applicable from 1 January 2019

For contracts entered into on or after 1 January 2019, the Group assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Group has the right to direct the use of the asset.

At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the individual entities incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability.

Depreciation is calculated on a straight-line basis over the length of the lease. The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease. Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the statement of financial position in current liabilities and non-current liabilities depending on the maturity of the lease payments.

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit or loss. Short term leases are leases with a lease term of 12 months or less.

Externally acquired intangible assets

Externally acquired intangible assets, other than Goodwill, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Licences and trademarks	3-25 years	Multiple of historic profits
Customer Related	6-10 Years	Excess Earning Model
Technology Based	5 Years	Replacement Cost

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for current tax is based on the taxable income for the period. The taxable result for the period differs from the result as reported in the statement of comprehensive income because it excludes items which are not assessable or disallowed and it further excludes items that are taxable and deductible in other years. It is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefits is probable. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/(recovered).

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	2%-10% per annum straight line
Fixtures and fittings	20-33% per annum straight line/10% - 25% on reducing balance
Computer equipment	33% per annum straight line/20% - 50% on reducing balance
Motor vehicles	25-33% per annum straight line/20% - 25% on reducing balance

Dividends

Dividends are recognised when they become legally payable. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Holiday pay accrual

All employees accrue holiday pay during the calendar year, the board encourages all employees to use their full entitlement throughout the year, however in the unlikely case that an employee has untaken holiday pay this is accrued for at the daily salary costs, including costs of employment, such as social security.

Staff pensions

The Group does not operate a pension scheme for its employees however it does make payments to defined contribution pension schemes on behalf of employees in the UK in accordance with auto enrolment legislation. The payments made are recognised as an expense in the period to which they relate.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Provisions

The Group has recognised provisions for liabilities of the uncertain timing or amount for leasehold dilapidations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. The provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

2.1 New and amended accounting standards effective during the year

The Group has applied the following standards and amendments for the first time during the annual reporting period commencing 1 January 2019:

IFRS 16: Leases

IFRS 16 'Leases' had an effective date for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the Standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. The Group adopted the Standard modified retrospectively from its mandatory adoption date, but has not restated comparative amounts which were reported under the previous accounting policies.

The details of the changes in accounting policies are described below.

The Group previously classified leases as either operating or finance leases based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the leased asset. Immediately prior to the initial application of IFRS 16, the Group had operating leases related to office premises and equipment and some finance leases for equipment.

Under IFRS 16, most leases previously classified as operating leases under IAS 17 are recognised on the balance sheet as a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended accounting standards effective during the year (continued)

IFRS 16: Leases (continued)

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease. For the year ended 31 December 2019, payments charged to the income statement related to low value and short-term leases were insignificant.

Right-of-use assets are presented within non-current assets on the face of the statement of financial position and lease liabilities are shown separately on the statement of financial position in current liabilities and non-current liabilities depending on the length of the lease term.

Impact on lessee accounting

The lease liabilities were determined by discounting relevant lease payments at the Group's incremental borrowing rate of between 2% and 3.5%.

	£'000
Operating lease commitments disclosed at 31 December 2018	33,623
Finance lease commitments disclosed at 31 December 2018	185
Short term leases	(289)
Adjustments as a result of different treatment of extensions/termination options	55
Discounted using weighted average of Group's incremental borrowing rate	(2,465)
Lease liability recognised as at 1 January 2019	**31,109**

Consolidated Income Statement – For the year ended 31 December 2019, the administrative expenses have decreased by £6,964,000 as the Group previously recognised rental expenses therein. Depreciation and finance costs have increased by £5,955,000 and £1,009,000 respectively as a result of the requirement to capitalise a right-of-use asset and depreciate over the term of the lease.

Consolidated Statement of Financial Position – At 1 January 2019, the Group calculated the lease commitments outstanding and applied the appropriate discount rate to calculate the present value of the lease commitment which are recognised as a liability and a right-of-use assets on the Group statement of financial position. As a result, at the 1 January 2019, the Group recognised both right-of-use assets of £31,024,000 and lease liabilities of £31,109,000.

2.2 Changes in accounting policies

There are no other standards other than that are expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Critical Accounting Estimates And Judgements

The Group makes certain estimates and assumptions regarding the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

2.3.1 Principal estimates

- Fair value measurement of intangible assets acquired in business combination;

  A number of assets and liabilities included in the Group's financial statements require measurement at, and/ or disclosure of, fair value. As there are no easily identifiable valuation methods for intangible assets such as customer relationships and licences, estimation is required in assessing the fair value when accounting for a business combination. The Group recognised Goodwill and associated intangibles before amortisation of £26,733,000 (2018 - £25,743,000). This is disclosed in note 12.

- Estimated impairment of goodwill

  The Group frequently tests whether goodwill has suffered any impairment. These calculations require the use of estimates, both in arriving at the expected future profitability of the entity and the application of a suitable discount rate in order to calculate the present value of these flows. As the impairment of goodwill is based on a future forecast, the Group has used a level of judgement around key assumptions of future cashflows greater than 12 months. Details of the impairment and sensitivity of cashflows are disclosed in note 12.

- Trade receivables

  In accordance with IFRS 9, the Group assesses whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument both due within one year and more than one year as at the reporting date with the risk of a default occurring on the trade receivable as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group has trade receivables less provision for expected credit losses at the year-end of £51,160,000 (2018 - £50,659,000).

- Deferred Tax

  Deferred tax assets have been recognised in relation to trading losses generated in the entities, these have been restricted to those instances where it is probable that taxable profit will be available against which the difference. The Group has recognised a deferred tax asset of £210,000 (2018 - £225,000) and a deferred tax liability of £1,968,000 (2018 - £2,204,000).

2.3.2 Principal judgements

- Deferred Contingent Consideration

  The Group believes that any deferred consideration payable to sellers who continue to be employed is not part of their remuneration package and forms part of the cost of investment. Amounts payable are irrespective of continued employment with the acquired Company or elsewhere within the Group. The classification is further determined based on a number of factors including the breakdown of the acquisition consideration and the level of remuneration payable to selling shareholder. At 31 December 2019, the total deferred consideration of £4,607,000 (2018 - £3,498,000), all of which is due within one year.

- Valuation of Goodwill for Import Services

  The Directors have reviewed the fair value of the goodwill and deferred consideration relating to the acquisition of Import Services Limited in line with IFRS 3 Business Combinations, paragraph 45. Based on the interpretation of the standard, the Directors believe that there is new information available relating to the assumptions used to calculate the consideration payable. As a result of the new information, the Directors have increased the value of Goodwill and Consideration Payable to the vendors of Import Services Limited by £990,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE ANALYSIS BY COUNTRY

	2019 £'000	2018 £'000
United Kingdom	89,701	70,210
Lithuania	55,849	47,759
Romania	33,189	31,397
Bulgaria	21,819	17,553
Serbia	6,475	6,813
Other	6,214	5,442
Total revenue	**213,247**	**179,174**

The table below shows revenue by timing of transfer of goods and services:

3A) REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 £'000	2018 £'000
Over a period of time	207,080	172,824
At a point in time	6,167	6,350
Total revenue	**213,247**	**179,174**

Revenue is derived from three main divisions: Transport solutions, referred to as Affinity, Freight forwarding, and Logistics & warehousing, as detailed in note 7.

3B) CONTRACT ASSETS

	2019 £'000	2018 £'000
At 1 January	2,068	1,273
Cumulative Catch-up	–	182
Excess of revenue recognised during the period	(701)	613
At 31 December	**1,367**	**2,068**

Contract assets are included within trade and other receivables on the face of the statement of financial position.

By the nature of the Group's invoicing procedures, then the Group does not have any contract liabilities.

3C) NON CURRENT ASSETS BY COUNTRY

	2019 £'000	2018 £'000
United Kingdom	44,113	24,802
Romania	9,744	3,462
Lithuania	1,005	160
Bulgaria	842	97
Serbia	136	136
Other	28	86
Total non current assets	**55,868**	**28,743**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

4. OTHER OPERATING INCOME

Other operating income arises mainly from sundry services executed by the Group, not being freight forwarding, logistics and warehousing or affinity services. Since this is not considered to be part of the main revenue generating activities, the Group presents this income separately from revenue.

	2019 £'000	2018 £'000
Recharges to franchise members	1,028	658
Recovery of fines/penalties	24	51
Rental income	65	225
Other	76	1
Total	**1,193**	**935**

5. OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit is stated after charging/(crediting)		
Hire of plant and machinery	694	731
Depreciation – right-of-use assets (note 25)[1]	5,955	–
Rental payable under operating lease	–	5,877
Depreciation – owned assets (note 13)	1,035	712
Amortisation of intangible assets (note 12)[2]	1,587	1,105
Impairment of goodwill – Benfleet (note 12)	–	1,845
Deferred consideration write back and vendor income	–	(2,592)
Auditors' remuneration – audit	295	361
Auditors' remuneration – non audit	–	64
Loss on disposal of property, plant and equipment	32	13
Insurance	877	699
Property/Municipal Taxes	1,722	1,090
Legal costs	205	247
Exceptional Items (note 27)	856	318
Bad debt costs (note 17)	836	1,053
Credit provisions on Benfleet vendor income	326	–
Foreign exchange losses	(54)	15
Staff expenses (note 6)	23,892	18,563
IT costs	1,641	623
Other administration expenses	10,070	5,719
Total	**49,969**	**36,443**

1 Under IFRS 16 'Leases', which the Group adopted in the current year, payments under operating leases are not charged to the consolidated income statement.

2 Amortisation charges on the Group's intangible assets are recognised in the administrative expenses line item in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

5. OPERATING PROFIT (CONTINUED)

The remuneration paid to Crowe U.K. LLP and its associates (2018 – BDO LLP), the Group's external auditors is as follows:

	2019 £'000	2018 £'000
Audit and Audit Related Services		
The audit of the Company and Group financial statements	92	126
The audit of the financial statements of subsidiaries of the Group	193	187
Other assurance services	10	48
Total audit and audit related services	**295**	**361**

	2019 £'000	2018 £'000
Non-audit services		
Other assurance services	–	19
Services related to corporate finance transactions	–	34
Taxation advice	–	11
Total audit and non-audit related services	**–**	**64**

6. EMPLOYEE BENEFIT EXPENSES

	2019 £'000	2018 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	20,397	15,930
Short-term non-monetary benefits	200	126
Share based payments	11	108
Defined contribution pension cost	245	173
Social security contributions and similar taxes	3,039	2,226
Total	**23,892**	**18,563**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company.

	2019 £'000	2018 £'000
Salary	1,367	1,046
Short-term non-monetary benefits	39	25
Share based payments	11	109
Defined contribution pension cost	20	8
Total	**1,437**	**1,188**

Directors remuneration

	2019 £'000	2018 £'000
Salary	552	642
Other remuneration	11	18
Share based payments	25	26
Total	**588**	**686**

Other remuneration comprises of private family medical cover, and insurance benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

6. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Directors remuneration (continued)

Total remuneration regarding the highest paid Director is as follows:

	2019 £'000	2018 £'000
Total aggregate remuneration	**330**	**331**

The average number of employees (including directors) during the year was as follows:

	2019	2018
Freight forwarding	396	403
Logistics	450	354
Other	191	145
Total	**1,037**	**902**

7. SEGMENTAL ANALYSIS

Types of services from which each reportable segment derives its revenues

In 2019 the Group had three main divisions: Transport Solutions, referred to as Affinity, Freight Forwarding, and Logistics & Warehousing. All revenue is derived from the provision of services.

- Freight Forwarding – This division is the core business and relates to the movement of freight goods across Europe. This division accounts for the largest proportion of the Group's business, generating 75% of its external revenues. (2018 - 76%)
- Affinity – This division is the Transport Solution's arm of the Group. It focuses on the reselling of DKV fuel cards, leasing, ferry crossings and other associated transport related services. This division accounts for 3% of the Group's business in terms of revenue (2018 - 4%)
- Logistics & Warehousing – This division is involved in the warehousing and domestic distribution; it generates 22% of the Group's external revenues in 2019 (2018 - 20%).

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team comprising the Divisional Chief Operating Officers, the Chief Executive Officer and the Chief Financial Officer.

Measurement of operating segment profit or loss

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS. Segment assets and liabilities are measured in the same way in the financial statements and they are allocated based on the operations of the segment.

Inter-segment sales are priced at market rates and at arm's length basis, along the same lines as sales to external customers. This policy was applied consistently throughout the current and prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENTAL ANALYSIS (CONTINUED)

Measurement of operating segment profit or loss (continued)

	Freight Forwarding 2019 £'000	Logistics & Warehousing 2019 £'000	Affinity 2019 £'000	Overheads 2019 £'000	Total 2019 £'000
Gross billings	**159,588**	**48,239**	**142,294**	**–**	**350,121**
Less recoverable disbursements	–	–	(136,127)	–	(136,127)
Total revenue	159,588	48,239	6,167	–	213,994
Inter-segmental revenue	–	(747)	–	–	(747)
Total revenue from external customers	**159,588**	**47,492**	**6,167**	**–**	**213,247**
Depreciation & amortisation (excluding right-of-use asset depreciation)	(1,326)	(1,149)	(45)	(102)	(2,622)
Segment profit before central overhead allocation (excluding exceptional items)	**3,447**	**2,889**	**2,534**	**(4,186)**	**4,684**
Allocation of central overheads	(1,120)	(301)	(47)	1,468	–
Segment profit after central overhead allocation (excluding exceptional items)	**2,327**	**2,588**	**2,487**	**(2,718)**	**4,684**
Share of loss of equity accounted associate					(60)
Net finance costs					(1,593)
Exceptional items					(856)
Profit before income tax					**2,175**
Total segment assets	57,002	36,502	29,810	5,550	**128,864**
Total segment liabilities	57,002	36,502	29,810	5,550	**128,864**

	Freight Forwarding 2018 £'000	Logistics & Warehousing 2018 £'000	Affinity 2018 £'000	Overheads 2018 £'000	Total 2018 £'000
Gross billings	**136,898**	**36,514**	**139,085**	**–**	**312,497**
Less recoverable disbursements	–	–	(132,735)	–	(132,735)
Total revenue	136,898	36,514	6,350	–	179,762
Inter-segmental revenue	–	(588)	–	–	(588)
Total revenue from external customers	**136,898**	**35,926**	**6,350**	**–**	**179,174**
Depreciation & amortisation	(714)	(1,023)	(47)	(33)	(1,817)
Segment profit (excluding exceptional items)	2,971	3,011	2,291	(1,779)	6,494
Share of loss of equity accounted associate					(78)
Net finance costs					(482)
Exceptional items					(318)
Profit before income tax					**5,616**
Total segment assets	40,772	19,310	27,181	11,495	**98,758**
Total segment liabilities	40,772	19,310	27,181	11,495	**98,758**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

8. NET FINANCE COSTS

	2019 £'000	2018 £'000
Finance income:		
Deposit account interest	29	29
Release of discount on deferred consideration	–	45
Interest receivable on Benfleet vendor income	52	26
Total finance income	**81**	**100**
Finance costs:		
Unwind of discount on deferred consideration	346	277
Bank loan interest	319	299
Right-of-use asset interest	1,009	–
Finance lease interest	–	6
	1,674	**582**
Net finance costs	**1,593**	**482**

9. INCOME TAX

Analysis of tax expense

	2019 £'000	2018 £'000
Current tax:		
Tax on profits for the year	**1,130**	**1,124**
Adjustments in respect of prior periods	**(25)**	**(28)**
Total current tax payable	**1,105**	**1,096**
Deferred tax credit	**(233)**	**(211)**
Total tax expense in consolidated statement of profit or loss	**872**	**885**

The reconciling items for the difference between the actual tax charge for the year and the standard rate of corporation tax in UK (the ultimate parent company's tax residency) applied to profits for the year are as follows:

	2019 £'000	2018 £'000
Profit before tax	2,175	5,616
UK tax charge at 19%	–	77
Overseas tax charge	406	692
Expenses not deductible for tax purposes	171	338
Movement in unrecognised deferred tax	326	(118)
Deferred tax asset not previously recognised	–	(29)
Adjustment in respect of prior periods	(25)	(28)
Other	(6)	(47)
Total tax expense	**872**	**885**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX (CONTINUED)

Deferred Tax

Assets – Arising from Trading losses	2019 £'000	2018 £'000
Balance as at 1 January	225	196
Movement in the year as a result of trading	(15)	29
Balance as at 31 December	**210**	**225**

Liabilities	2019 £'000	2018 £'000
Balance as at 1 January	(2,204)	(1,209)
Recognised on the acquisition of subsidiaries (note 30)	–	(1,172)
Release to income statements	248	182
Movement in foreign exchange	(12)	(5)
Balance as at 31 December	**(1,968)**	**(2,204)**

The deferred tax asset relates to losses carried forward at the rate of tax in the relevant jurisdiction.

The Group has potential deferred tax assets for trading losses totalling £1,257,000 (2018: £932,000) arising from certain subsidiaries across the Group. These assets have not been recognised due to insufficient certainty that the suitable profits will be generated in the foreseeable future.

The deferred tax liabilities relates to liabilities arising as part of the Group's acquisitions.

10. EARNINGS PER SHARE

	2019 '000	2018 '000
Basic weighted average number of shares	135,147	125,167
Potentially dilutive share options	698	1,650
Deferred consideration on acquisitions	–	1,952
Diluted weighted average number of shares	**135,845**	**128,769**

	£'000	£'000
Profit for the year attributable to owners of the parent company	810	4,421
Earnings pence per share - basic	0.60	3.53
Earnings pence per share - diluted	**0.60**	**3.43**
Profit for the year attributable to owners of the parent company	810	4,421
Exceptional items (note 27)	856	318
Amortisation of intangible assets arising from acquisitions (note 12)	1,407	1,033
Unwind of discount in deferred consideration (note 8)	346	277
Additional interest charge due to IFRS16 accounting standard change	419	–
Add back of discount on deferred consideration (note 8)	(52)	(45)
Profit for the year attributable to owners of the parent company excluding exceptional items	**3,786**	**6,004**
Earnings pence per share – basic excluding exceptional items	**2.80**	**4.80**
Earnings pence per share – diluted excluding exceptional items	**2.79**	**4.66**

11. DIVIDENDS

	2019 £'000	2018 £'000
Final dividend of 1.05p (2018:0.84p) per ordinary share	1,141	750
Interim dividend of 0.28p (2018:0.42p) per ordinary shares	381	573

Subject to approval by shareholders, the Group will propose a final dividend via a scrip issue to shareholders in June 2020. This has been proposed given the current issues around COVID-19 and the objective of conserving cash where possible, but it is expected that the Group's 2020 interim dividend will return to being paid in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS

Group

COST	Licences £'000	Goodwill £'000	Customer Related £'000	Technology Related £'000	Total £'000
At 1 January 2019	2,871	13,176	12,057	510	28,614
Additions	498	–	–	–	498
Fair value adjustments	–	990	–	–	990
Disposals	(26)	–	–	–	(26)
Exchange differences	(95)	–	–	–	(95)
At 31 December 2019	**3,248**	**14,166**	**12,057**	**510**	**29,981**
AMORTISATION					
At 1 January 2019	498	1,845	1,315	48	3,706
Charge for the year	180	–	1,305	102	1,587
Disposals	(1)	–	–	–	(1)
Exchange differences	(17)	–	–	–	(17)
At 31 December 2019	**660**	**1,845**	**2,620**	**150**	**5,275**
NET BOOK VALUE					
At 31 December 2019	**2,588**	**12,321**	**9,437**	**360**	**24,706**
At 1 January 2019	**2,373**	**11,331**	**10,742**	**462**	**24,908**

COST	Licences £'000	Goodwill £'000	Customer Related £'000	Technology Related £'000	Total £'000
At 1 January 2018	2,675	7,551	5,689	–	15,915
Additions	171	–	–	–	171
Acquired through business combination	–	5,625	6,387	510	12,522
Transfer between categories	19	–	(19)	–	–
Disposals	(7)	–	–	–	(7)
Exchange differences	13	–	–	–	13
At 31 December 2018	**2,871**	**13,176**	**12,057**	**510**	**28,614**
AMORTISATION					
At 1 January 2018	417	–	330	–	747
Charge for the year	72	–	985	48	1,105
Impairment	–	1,845	–	–	1,845
Disposals	(7)	–	–	–	(7)
Exchange differences	16	–	–	–	16
At 31 December 2018	**498**	**1,845**	**1,315**	**48**	**3,706**
NET BOOK VALUE					
At 31 December 2018	**2,373**	**11,331**	**10,742**	**462**	**24,908**
At 1 January 2018	**2,258**	**7,551**	**5,359**	**–**	**15,168**

The goodwill included in the above note, relates to acquisition of Pallet Express Srl in January 2016, UK Buy in January 2017, Easy Managed Transport Limited in March 2017, Benfleet Forwarding Limited in October 2017, Regional Express Limited in November 2017, Anglia Forwarding Group Limited in June 2018 and Import Services Limited in July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS (CONTINUED)

Annual test for impairment

The Group carries out its impairment tests annually in November as part of the budget process and all newly acquired entities are also reviewed for impairment at the consolidated statement of financial position sheet date.

Upon acquisition the goodwill and other intangibles are calculated at Cash Generating Unit ("CGU") level, these are then measured based on forecast cash flow projections, the first year of which is based on the CGU's current annual financial budget which has been approved by the board. The cash flow projections for years two to five have been derived based on growth rates that are considered to be in line with the market expectations.

The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

In determining the future free cash flow, the main drivers have been revenue and Earnings Before Interest and Tax ("EBIT") margins, with margins remaining at expected levels.

The directors have reviewed the future profit and cash flow forecasts for the next five years and applying a discount rate of between 12.4%-14.1% to the cash flow projections when determining the net present value of these cash flows, it believes there is sufficient headroom in the value of the business to not have to impair the goodwill. Accordingly, no impairment provision was recognised in the year (2018 - £1,845,000).

Key assumptions used in the impairment calculations are as follows:

Entity	Impairment WACC %	Short term Revenue Growth Rate %	Long Term Revenue Growth Rates
Pallet Express Srl	12.4	4.8 to 20.7	3.0
Easy Managed Transport Limited	14.1	5.0 to 32.4	3.0
Benfleet Forwarding Limited	13.7	5.0 to 19.2	2.5
Regional Express Limited	13.2	44.6 to 53.3	3.0
Ukbuy / Gerviva Fair	14.1	16.6 to 95.4	5.0
Anglia Group Forwarding Limited	13.2	4.9 to 10.1	2.5
Import Services Limited	12.8	2.5 to 21.7	3.0

The WACC of the Group has been calculated at a rate of between 12.35%-14.12% with each CGU being adjusted to take into consideration a specific Company premium risk factor.

Sensitivity to changes in key assumptions

The Group has conducted sensitivity analysis on the impairment test of the CGU's classified within continuing operations. The directors believe that there is significant headroom on the carrying value of each CGU except for Import Services Limited ("ISL") and Easy Managed Transport Limited ("EMT") CGU's, where their recoverable values were approximately at their carrying value. Given the headroom in the other CGU's, it would require a significant change in the assumptions for an impairment charge to be considered material and the level of change is considered unlikely. The ISL CGU has a carrying value of £5,953,000 and EMT has a carrying value of £2,258,000 and is based on the following assumptions, the effect of a reasonably possible change in the assumptions as disclosed in the next table:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in key assumptions (continued)

Import Services	Plan scenario	Change	Impact on Impairment £'000	
Long term growth	3.0%	+/- 1%	1,476	(1,203)
Post tax discount rate	12.8%	+/- 1%	2,207	(1,792)
EBIT (£000s)	9,667	-10%	–	(879)
Average EBIT margin	5.3%	+/- 1%	1,837	(1,837)

EMT	Plan scenario	Change	Impact on Impairment £'000	
Factor				
Long term growth	3.0%	+/- 1%	420	(350)
Post tax discount rate	14.1%	+/- 1%	660	(550)
EBIT (£000s)	5,468	-10%	–	(497)
Average EBIT margin	8.7%	+/- 1%	632	(632)

Import Services Limited

The Directors have reviewed the fair value of the goodwill and deferred consideration relating to the acquisition of ISL in line with IFRS 3 Business Combinations, paragraph 45. Based on the interpretation of the standard, the Directors believe that there is new information available relating to the assumptions used to calculate the consideration payable. As a result of the new information, the Directors have increased the value of goodwill and consideration payable to the vendors of Import Services Limited by £990,000.

The goodwill by CGU is shown below:

Subsidiary Acquired	Value £'000
Pallex Express SRL	722
Easy Managed Transport Limited	2,258
Benfleet Forwarding Limited	1,562
Regional Express Limited	937
UK Buy	227
Anglia Forwarding Group Limited	662
Import Services Limited	5,953
Total	**12,321**

COVID-19

Subsequent to the year-end and in line with other COVID-19, the Board have reviewed the Impairment assumptions and consider that there is still significant headroom in these forecasts. As a result, no impairment provisions have been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2019	204	1,895	895	1,919	4,913
Adjustment for change in accounting policy, see note 2.1	–	–	(100)	–	(100)
Restated opening balance	204	1,895	795	1,919	4,813
Additions	75	707	80	459	1,321
Disposals	–	(218)	(88)	(60)	(366)
Exchange differences	(10)	(54)	(28)	17	(75)
At 31 December 2019	**269**	**2,330**	**759**	**2,335**	**5,693**
DEPRECIATION					
At 1 January 2019	22	771	567	1,198	2,558
Charge for year	38	536	131	330	1,035
Eliminated on disposal	–	(215)	(85)	(60)	(360)
Exchange differences	–	(14)	(19)	(23)	(56)
At 31 December 2019	**60**	**1,078**	**594**	**1,445**	**3,177**
NET BOOK VALUE					
At 31 December 2019	**209**	**1,252**	**165**	**890**	**2,516**
At 1 January 2019	**182**	**1,124**	**328**	**721**	**2,355**

Group	Freehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2018	142	972	840	1,593	3,547
Additions	–	232	79	243	554
Additions acquired with subsidiary	61	708	43	103	915
Disposals	–	(24)	(72)	(28)	(124)
Exchange differences	1	7	5	8	21
At 31 December 2018	**204**	**1,895**	**895**	**1,919**	**4,913**
DEPRECIATION					
At 1 January 2018	3	628	499	817	1,947
Charge for year	19	156	131	406	712
Eliminated on disposal	–	(15)	(66)	(30)	(111)
Exchange differences	–	2	3	5	10
At 31 December 2018	**22**	**771**	**567**	**1,198**	**2,558**
NET BOOK VALUE					
At 31 December 2018	**182**	**1,124**	**328**	**721**	**2,355**
At 1 January 2018	**139**	**344**	**341**	**776**	**1,600**

At 31 December 2018, property, plant and equipment included the following amounts where the group was a lease under finance leases.

Group	2018 £'000
Leased motor vehicles	
Cost	160
Accumulated depreciation	(60)
Net book value	**100**

From 2019 lease assets are presented as a separate line item in the statement of financial position, see note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

14. SUBSIDIARIES

The subsidiaries of Xpediator Plc, all of which have been included in these combined financial statements, are as follows:

Name	Registered Office	Country of incorporation	Proportion of ownership interest 2019	Proportion of ownership interest 2018
Delamode Holdings Ltd	1	United Kingdom	100%	100%
Delamode Distribution UK Ltd	1	United Kingdom	51%	51%
Delamode Plc	1	United Kingdom	100%	100%
Delamode Property Ltd	1	United Kingdom	100%	100%
EshopWeDrop Limited	1	United Kingdom	100%	100%
Xpediator Services Limited	1	United Kingdom	100%	100%
Easy Managed Transport Limited	1	United Kingdom	100%	100%
Benfleet Forwarding Limited	1	United Kingdom	100%	100%
Regional Express Limited	1	United Kingdom	100%	100%
Import Services Limited	1	United Kingdom	100%	100%
Anglia Forwarding Group Limited	1	United Kingdom	100%	100%
Anglia Forwarding Limited	1	United Kingdom	100%	100%
Traker International Limited	1	United Kingdom	100%	100%
Affinity Transport Solutions Srl	2	Romania	100%	100%
Delamode Moldova Srl	3	Moldova	100%	100%
Delamode Bulgaria EOOD	4	Bulgaria	90%	90%
Delamode Balkans DOO	5	Serbia	100%	100%
Affinity Balkans DOO	6	Montenegro	100%	100%
Delamode Macedonia	7	Macedonia	100%	100%
Delamode Baltics UAB	8	Lithuania	80%	80%
Delamode Estonia OÜ	9	Estonia	80%	80%
Delamode Romania Srl	2	Romania	100%	100%
Affinity Leasing IFN	2	Romania	99.95%	99.95%
EshopweDrop Holdings	10	Malta	100%	100%
EshopweDrop Baltics	8	Lithuania	100%	100%
Delamode Group Limited	10	Malta	100%	100%
Delamode Group Holdings Limited	10	Malta	100%	100%
Pallet Express Srl	11	Romania	100%	100%
Eshop Romania	2	Romania	100%	100%
Pallex Hungary	12	Hungary	100%	100%
Regional Express Gmbh	13	Germany	100%	–

Delamode Group Holdings Limited, Easy Managed Transport Limited, Benfleet Forwarding Limited, Regional Express Limited, Import Services Limited and Anglia Group Forwarding Limited are the only Subsidiaries held directly by Xpediator Plc.

1 700 Avenue West, Skyline 120, Braintree, Essex, CM77 7AA, United Kingdom
2 Bd. Timisoara, nr 111-115 Sector 6, Bucharest, 061327, Romania
3 Bd. Moscova 21/5 of. 1011 MD-2068, Chisinau, Republic of Moldova
4 361 Tsarigradsko Shose Boulevard, 1582, Sofia, Bulgara
5 Bulevar Oslobodenja 113, 11010 Vozdovac, Belgrade, Serbia
6 Dzordza, Vasingtona 51/43, Podgorica, 81000, Montenegro
7 Stefan Jakimov Dedov 14/1 1, 1000 Skopje, Macedonia
8 Eiguliu G, 2 03150, Vilnius, Lithuania
9 Parnu mnt. 139/C-1 11317, Tallinn, Estonia
10 Europa Business Centre, Level 3 – Suite 701, Dun Karn Street Birkirkara BKR 9034, Malta
11 Stefan cel Mare street, no. 193, Sibiu, 550321, Romania
12 1141 Budapest Szuglo utcs 82, Hungary
13 Darmstadter Landstrasse 116, Frankfurt, 60598, Germany

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

14. SUBSIDIARIES (CONTINUED)

The following companies are exempt from preparing audited accounts under Section 479A of the UK Companies Act 2006 :

Company	Registration
Delamode Property Limited	06895332
EshopWeDrop Ltd	08429573
Traker International Limited	02068943
Xpediator Services Limited	09724594

15. NON-CONTROLLING INTERESTS

Non-controlling interests ("NCI") held in the Group are as follows:

	2019	2018
Delamode Baltics UAB	20.0%	20.0%
Delamode Estonia OÜ	20.0%	20.0%
Delamode Bulgaria EOOD	10.0%	10.0%
Affinity Leasing IFN	0.05%	0.05%
Delamode Distribution UK Limited	49.0%	49.0%

The summarised financial information in relation to Delamode Bulgaria and Delamode Baltics before intra-Group eliminations, is presented below together with amounts attributable to NCI:

	Delamode Bulgaria £'000	Delamode Baltics UAB £'000
Share capital	1	6
Reserves	142	384
Total NCI c/f 2018	**143**	**390**

	Delamode Bulgaria £'000	Delamode Baltics UAB £'000
Total NCI b/f 2019	**143**	**390**
Non-controlling interest in results for the year	76	319
Non-controlling interest in dividends for the year	(38)	(92)
Non-controlling interest in translation adjustment on opening reserves	(7)	(4)
Non-controlling interest in translation adjustment on results for the year	(3)	(26)
Total NCI c/f 2019	**171**	**587**

	Delamode Bulgaria		Delamode Baltics UAB	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Revenue	22,467	18,223	56,735	47,875
Cost of sales	(19,801)	(15,925)	(49,718)	(42,018)
Gross profit	**2,666**	**2,298**	**7,017**	**5,857**
Administrative expenses	(1,823)	(1,443)	(5,224)	(4,798)
Other income	25	17	105	115
Operating profit	868	872	1,898	1,174
Finance costs	(20)	(1)	(16)	(10)
Profit before tax	848	871	1,882	1,164
Tax expense	(86)	(88)	(285)	(172)
Profit after tax	**762**	**783**	**1,597**	**992**
Profit after tax attributable to non-controlling interests	**76**	**78**	**319**	**198**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

15. NON-CONTROLLING INTERESTS (CONTINUED)

	Delamode Bulgaria		Delamode Baltics UAB	
For the period to 31 December 2019	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets:				
Non-current trade and receivables	10	9	185	122
Property plant and equipment	985	88	50	60
Inventories	10	3	42	–
Trade and other debtors	4,706	3,640	8,977	8,567
Cash and cash equivalents	904	498	1,632	250
	6,615	**4,238**	**10,886**	**8,999**
Liabilities:				
Trade and other payables	3,990	2,762	7,952	7,051
Loans and other borrowings	914	46	–	–
	4,904	**2,808**	**7,952**	**7,051**
Total net assets	**1,711**	**1,430**	**2,934**	**1,948**
Accumulated non-controlling interests	**171**	**143**	**587**	**390**

The NCI of all the other shareholders, that are not 100% owned by the Group are considered to be immaterial.

16. INVESTMENTS

COST	Other Investment £'000	Associate Investment £'000	Total Investment £'000
At 1 January 2019	1	60	61
Performance of investment	–	(60)	(60)
At 31 December 2019	1	–	1
NET BOOK VALUE			
At 31 December 2019	**1**	**–**	**1**

COST	Other Investment £'000	Associate Investment £'000	Total Investment £'000
At 1 January 2018	1	–	1
Additions	–	60	60
At 31 December 2018	1	60	61
NET BOOK VALUE			
At 31 December 2018	**1**	**60**	**61**

Investments represent investments in shares in unlisted companies.

Associate Investments

As part of the acquisition of Anglia Group Forwarding Limited made in June 2018, the Group immediately disposed of 60% of the share capital of International Cargo Centre Limited (ICC). As the Group now owns 40% of the voting shares and does not have control over Board decisions, then the Group has accounted for this as an associate.

In 2018, the Group received consideration of £83,000 from the sale and made a profit on disposal of £nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

16. INVESTMENTS (CONTINUED)

The Group's share of the results, assets and liabilities of its share in ICC is as follows:

	2019 £'000	2018 £'000
Revenue	310	188
Loss after tax	(107)	(78)
Non-current assets	18	18
Current assets	120	108
Total assets	**138**	**126**
Current liabilities	(282)	(167)
Share of net liabilities	**(144)**	**(41)**

The registered office of ICC is Blackwater Close, Fairview Industrial Park, Rainham, Essex, RM13 8UA.

17. TRADE AND OTHER RECEIVABLES

Group	2019 £'000	2018 £'000
Current:		
Trade receivables	53,625	53,555
Less: provision for impairment of trade receivables	(2,465)	(2,896)
	51,160	50,659
Current financial assets	2,689	2,302
Prepayments and contract assets	2,933	2,570
Other receivables	4,145	4,779
Total	**60,927**	**60,310**
Non Current		
Trade and other receivables	**1,050**	**1,194**

Current financial assets relate to the security deposits held by DKV on behalf of the Group which are refundable on termination of the agreement which can be served giving three month's notice hence they are classed as current assets.

Included with trade debtors is a balance due from Simplu Romania of £232,000 (2018 – £251,000). This debt is guaranteed by the Directors of Delamode Holdings BV (which include Stephen Blyth and Shaun Godfrey), who are a related party to the Xpediator Group.

Included within other receivables due within one year is an amount due of £1,207,000 (2018 – £840,000) from the Vendors of Benfleet Forwarding Limited. In addition, there is a further £599,000 (2018 – £1,155,000) included in trade and other receivables due in more than one year.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for known legal and specific economic factors, including the credit worthiness and ability of the customer to settle the receivable.

The movements in the impairment allowance for trade receivables are as follows:

Group	2019 £'000	2018 £'000
At 1 January	2,896	1,498
Increase during the year	1,052	1,311
Acquired from acquisitions	–	623
Impairment losses reversed	(216)	(258)
Receivable written off during the year as uncollectible	(1,267)	(278)
At 31 December	**2,465**	**2,896**

At 31 December 2019, the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Current £'000	More than 30 Days Past Due £'000	More than 60 Days Past Due £'000	More than 90 Days Past Due £'000	Total £'000
Expected loss rate	0.8%	1.8%	9.8%	53.3%	
Gross carrying amount	46,999	3,301	1,048	3,644	54,922
Loss provision	357	61	103	1,944	2,465

18. TRADE AND OTHER PAYABLES

Group	2019 £'000	2018 £'000
Current:		
Trade and other payables	51,197	47,154
Amounts owed to related parties	20	137
Social security and other taxes	2,410	2,222
Other creditors	3,249	4,610
Deferred Consideration	4,607	1,409
Accruals	1,703	1,949
Total Trade and other payables	**63,186**	**57,481**
Non Current		
Deferred Consideration	–	2,089
Trade and other payables	101	–

The deferred consideration of £4,607,000 (2018 - £1,409,000) due within one year relates to the deferred consideration on the acquisitions of Import Services Limited, Regional Express Limited and Anglia Forwarding Group Limited. Of this balance, £nil (2018 - £563,000) is contingent on performance related criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

19. BANK AND OTHER LOANS

Group	2019 £'000	2018 £'000
Current:		
Commitments in relation to finance leases	–	102
Bank loans	341	626
Invoice discounting facility	2,382	3,024
	2,723	**3,752**
Non-current:		
Commitments in relation to finance leases		
Payable 1-2 years	–	56
Payable 2-5 Years	–	27
Loans - 1-2 years	365	315
Loans - 2-5 years	1,107	1,053
Loans due after 5 years repayable by instalments	803	1,197
	2,275	**2,648**

The Lloyds bank loan due after 5 years is due to be repaid by November 2026. Interest is being charged at a fixed rate of 6.4% and a variable rate of 1.1% above the Bank of England base rate.

The bank loan is partially guaranteed by the personal assets of some of the Directors and Key Management of the Group.

The book value and fair value of loans and borrowings are as follows:

Non-Current	2019 £'000	2018 £'000
Bank borrowings and others		
- Secured	2,275	2,648
- Unsecured	–	–
	2,275	**2,648**
Current		
Bank borrowings and others		
- Secured	2,696	3,425
- Unsecured	27	327
	2,723	3,752
Total loans and borrowings	**4,998**	**6,400**
Sterling	4,971	5,978
Other	27	422
Total	**4,998**	**6,400**

Bank borrowings and overdrafts are secured by a fixed and floating charge over the Group's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

19. BANK AND OTHER LOANS (CONTINUED)

The movements in the bank and other loans are as follows:

Group	2019 £'000	2018 £'000
At 1 January	6,400	5,854
New borrowings in the year	–	908
Change of accounting treatment of finance leases following the adoption of IFRS 16	(185)	–
Borrowings repaid during the year	(1,217)	(362)
At 31 December	**4,998**	**6,400**

20. PROVISIONS

Other provisions relate to an assessment of dilapidation of leasehold properties. In each instance, management have undertaken surveys to understand the work required to bring the leasehold properties back to their original condition.

All of these provisions are due to be settled in more than one year.

	2019 £'000	2018 £'000
Balance at 1 January	1,523	–
Additions during the year	151	1,523
Balance at 31 December	**1,674**	**1,523**

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Fixed rate bank loans
- Bank loan
- Right of use assets and lease liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Financial instruments by category

Financial assets at amortised costs

	2019 £'000	2018 £'000
Cash and cash equivalents	11,951	9,647
Right-of-use assets	27,385	–
Trade and other receivables	59,044	58,934
Total financial assets at amortised costs	**98,380**	**68,581**

Financial Liabilities

	Fair value through profit and loss		Loans and other payables	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	–	–	56,270	53,850
Bank loans and Invoice discounting	–	–	4,998	6,400
Right-of-use asset lease liabilities	–	–	27,927	–
Deferred consideration	666	846	3,941	2,652
Total financial liabilities	**666**	**846**	**93,136**	**62,902**

Financial instruments not measured at fair value

These include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk) credit risk and liquidity risk. The financial risks relate to the following financial instruments: cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. The accounting policies with respect to these financial instruments are described above.

Risk management is carried out by the directors under policies, where they identify and evaluate financial risks in close co-operation with the Group's operating units. The directors provide principles for overall risk management.

The reports on the risk management are produced periodically to the key management personnel of the Group.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, the most suitable bank in the local territory is selected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Financial instruments by category (continued)

A significant amount of cash is held with the following institutions:

Cash at bank	2019* Rating	2019 £'000	2018 £'000
Barclays Bank	BBB	2,528	1,117
Lloyds Bank	BBB+	786	1,773
Raiffeisenbank	BBB+	4,110	2,471
RBS	BBB	391	1,135
Swedbank	AA-	1,344	169
HSBC	A	56	353
Bank of Transylvania	BB	470	28
Unicredit Bulbank	BBB	60	267
Hipotekarna Bank	NA	197	512
Other		819	624
Total		**10,761**	**8,449**

* Based on Standard & Poor Rating

Short term deposits	2019 Rating	2019 £'000	2018 £'000
Lloyds Bank	BBB+	1,190	1,198

Reconciliation of cash in bank and deposits to balance sheet	2019 £'000	2018 £'000
Cash at bank	10,761	8,449
Short term deposits	1,190	1,198
Total	**11,951**	**9,647**

(b) Market risk

(i) Price risk

Certain aspects of the commercial terms relating to the Affinity division are, directly linked to the commodity costs of fuel purchased by their clients at roadside fuelling stations across Europe. As such there is a risk arising from price changes relating to the fuel prices offered at the respective fuelling stations. In order to manage this risk the Group partially hedges the way it charges its commissions.

The table below shows the sensitivity analysis to possible changes in fuel prices to which the Group is exposed at the end of each year, with all other variables remaining constant. This arises due to the commercial arrangements the Affinity division has with its clients, whereby it will generate income in the form of commissions based on the value of fuel purchased by its clients.

Petrol price risk effect on net profit sensitivity analysis:	2019 £'000	2018 £'000
Price increased by 10%	179	154
Price decreased by 10%	(179)	(154)

The Group is exposed to the market risk with respect to its operating income which is subject to changes in performance, exchange fluctuations and other market influences both economic and political. The directors manage this risk by reviewing on a regular basis market fluctuations arising on the Group's activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Financial instruments by category (continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The risk associated with interest-bearing debts is mitigated by utilising a mix of fixed and variable interest rate loans, as well as a Confidential Invoice Discounting Facility ("CID").

Interest rate risk effect on net profit sensitivity analysis:	2019 £'000	2018 £'000
Interest rates increased by 0.25%	(13)	(15)
Interest rates decreased by 0.25%	13	15

The Group's cash flow and fair value interest rate risk is periodically monitored by the directors. The cash flow and fair value risk policy is approved by the directors.

Receivables and trade and other payables are interest free and have settlement dates within one year.

A sensitivity analysis is normally based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated – for example, change in exchange rates and change in market values.

(iii) Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the presentational currency of the Group. Foreign exchange risk also arises when individual companies enter into transactions denominated in a currency other than their functional currency. Certain assets of the Group comprise amounts denominated in foreign currencies. Similarly, the Group has financial liabilities denominated in foreign currency. In general, the Group seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thereby providing a natural hedge against foreign exchange risk.

	GBP £'000	Euro £'000	RON £'000	MLD LEU £'000	BGN LEV £'000	RSD Dinar £'000	HUF Forints £'000	MKD Denar £'000	Total £'000
At 31 December 2019									
Financial assets	42,271	41,020	7,288	73	6,207	1,348	2	171	**98,380**
Financial liabilities	42,247	40,801	3,853	26	4,635	1,409	-	165	**93,136**
At 31 December 2018									
Financial assets	24,868	31,799	6,409	102	3,892	1,297	18	196	**68,581**
Financial liabilities	22,468	28,478	7,559	47	2,721	1,426	–	203	**62,902**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Financial instruments by category (continued)

An analysis of the Group's exposure to foreign exchange risk, illustrating the impact on the net financial assets of a 10% movement in each of the key currencies to which the Group is exposed, is shown below

Foreign currency risk sensitivity analysis:	2019 £'000	2018 £'000
Euro		
Strengthened by 10%	22	332
Weakened by 10%	(22)	(332)
Romanian Lei		
Strengthened by 10%	344	(115)
Weakened by 10%	(344)	115
Moldavian Leu		
Strengthened by 10%	5	6
Weakened by 10%	(5)	(6)
Serbian Dinar		
Strengthened by 10%	(6)	(13)
Weakened by 10%	6	13
Bulgarian Lev		
Strengthened by 10%	157	117
Weakened by 10%	(157)	(117)
Macedonian Denar		
Strengthened by 10%	1	(1)
Weakened by 10%	(1)	1

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash flow for operations. The Group manages its' risk to shortage of funds by monitoring forecast and actual cash flows.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, invoice discounting and long term loan finance.

At 31 December 2019	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	56,270	–	–	–
Bank loans & invoice discounting	2,723	365	1,107	803
Lease liabilities	6,392	5,575	13,825	2,135
Deferred consideration	4,607	–	–	–
Total	**69,992**	**5,940**	**14,932**	**2,938**

At 31 December 2018	Up to 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	53,850	–	–	–
Bank loans & invoice discounting	3,752	371	1,080	1,197
Deferred consideration	1,409	2,089	–	–
Total	**59,011**	**2,460**	**1,080**	**1,197**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

22. CALLED UP SHARE CAPITAL

Ordinary Shares of £0.05 each	2019 Number	2019 £000s	2018 Number	2018 £000s
At the beginning of the year	133,713,604	6,686	117,431,144	5,872
Issued during the year	2,370,620	118	16,282,460	814
At the end of the year	**136,084,224**	**6,804**	**133,713,604**	**6,686**
50,000 deferred shares of £1.00 each	50,000	50	50,000	50
At the end of the year	**136,134,224**	**6,854**	**133,763,604**	**6,736**

Shares Issued

On 16 May 2019, the Company issued 1,655,876 shares to the former owners of Easy Managed Transport Limited ("EMT") as part of the payment of the deferred consideration relating to the acquisition of the entire equity of EMT in 2017. The total value of this transaction was £831,250 which was settled by the issuance of new shares.

In 22 May 2019 Alex Borrelli and Geoff Gillo exercised their share options. As a result of exercising these options, the Company issued shares of 416,667 to Alex Borrelli and shares of 208,333 to Geoff Gillo at an option price of 24 pence per share. The market value of the shares issued to Alex Borrelli when exercised was £210,000, resulting in a gain of £110,000. The market value of shares issued to Geoff Gillo when exercised was £105,000, resulting in a gain of £55,000.

On 5 December 2019, the Company issued 89,744 new ordinary shares of £0.05 each as part of the agreed deferred consideration for the acquisition of Regional Express Limited. The total value of this transaction was £35,000 which was settled by the issuance of the new shares.

On 8 June 2018, the Company issued 1,727,694 Ordinary Shares of £0.05 each in the Company as part of the agreed deferred consideration for the acquisition of EMT. The total value of this transaction was £1,074,625, which was settled by the issuance of the new shares.

On 11 July 2018, the Group raised a further £7,000,000 before expenses by issuing an additional 10,000,000 Ordinary Shares of £0.05 each in the Company. Costs of £424,000 have been taken to the share premium reserve. Following this fund raising, the Group acquired Import Services Limited a contract logistics and warehousing business based in Southampton, UK. A further 3,740,648 (which equated to consideration of £3,000,000) Ordinary Shares of £0.05 each were issued as part of this transaction.

On 10 September 2018, 729,167 Ordinary Shares were issued to Dana Antohi as she exercised her options. The exercise price of this option was £0.05.

On 31 December 2018, the Company issued 84,951 Ordinary Shares of £0.05 each in the Company as part of the agreed deferred consideration for the acquisition of Regional Express Limited. The total value of this transaction was £35,000 which was settled by the issuance of the new shares.

23. RESERVE DESCRIPTION AND PURPOSE

Retained earnings: All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Translation reserve: represents the difference arising on the translation of the net assets and results of subsidiaries into the presentation currency.

Merger Reserves: represents the difference between the nominal value of consideration paid for shares acquired in entities under common control and the nominal value of those shares. This arises as a result of the business combination falling outside the scope of IFRS 3 and merger accounting being applied in place of acquisition accounting. In addition, the premium on the fair value in excess of the nominal value of shares issued in consideration of business combinations is credited to the merger reserve.

Share premium is the amount subscribed for share capital in excess of nominal value.

Equity reserve represents the cost of the share options granted that have not yet been exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

24. SHARE-BASED PAYMENTS

The Company has granted Directors' and key management share option plans. These are unapproved schemes so they do not satisfy the requirements of schedule 4, ITEPA. A summary of the options plans is shown below. All options will vest between 1 to less than 4 years.

Name	Share Option No	Option Price £	Vesting Period	Expiry Date
SP Angel	55,250	0.24	July 2022	August 2022
Stephen Blyth – Tranche 1	214,286	0.70	November 2018	December 2021[1]
Stephen Blyth – Tranche 2	214,286	0.70	May 2019	December 2021[2]
Stephen Blyth – Tranche 3 – not earned	214,286	0.70	May 2020	December 2021[3]
Stephen Blyth – Tranche 4	214,285	0.70	May 2021	December 2021[4]

1 Tranche 1 – Options can be exercised from 27 November 2018

2 Tranche 2 - Options can be exercised immediately following the Company's AGM in 2019.

3 Tranche 3 - Options are no longer exercisable as the performance criteria were not met.

4 Tranche 4 - Options can be exercised immediately following the Company's AGM in 2021.

On 26 November 2018, the Company granted options over 857,143 Ordinary Shares (Stephen Blyth) and 642,857 Ordinary shares (Stuart Howard). These were split into four equal tranches. On 6 September 2019, Stuart Howard left the business, and as a result all unvested shares options were forfeited.

Tranche 1 (214,286 Ordinary Shares) are exercisable from November 2018 and have an expiry date of 31 December 2021. The options may only be exercised in whole and not part. There are no other vesting conditions.

Tranche 2 (214,286 Ordinary Shares) are exercisable from May 2019 and have an expiry date of 31 December 2021. The options may only be exercised in whole and not part. The Options are conditional on earnings per share of the Company increasing 10 per cent (or more) for the year ending 31 December 2018 compared with the prior year.

Tranche 3 (214,286 Ordinary Shares) are exercisable from May 2020 and have an expiry date of 31 December 2021. The options may only be exercised in whole and not part. The Options are conditional on earnings per share of the Company increasing 10 per cent (or more) for the year ending 31 December 2019 compared with the prior year. However, due to the performance of the business, tranche 3 (214,286) of Stephen Blyth's shares did not fulfil the criteria of earnings per share growth so can no longer be exercised.

Tranche 4 (214,285 Ordinary Shares) are exercisable from May 2021 and have an expiry date of 31 December 2021. The options may only be exercised in whole and not part. The Options are conditional on earnings per share of the Company increasing 10 per cent (or more) for the year ending 31 December 2020 compared with the prior year.

The exercise price of all the share options is £0.70.

On 10 September 2018 729,167 Ordinary Shares were issued to Dana Antohi as she exercised her options. The exercise price of this option was £0.05. The share price at the time of issue of these shares was £0.66.

On 11 August 2017, the Company has granted share options to the non-executive directors over 416,667 Ordinary Shares (Alex Borrelli) and 208,333 Ordinary Shares (Geoff Gillo). The options may only be exercised in whole and not part and exercise of the options are conditional on the earnings per share of the Company in each of the two years ending 31 December 2017 and 31 December 2018 increasing by 10 per cent. or more on the previous year. For Alex Borrelli, the options are also conditional on him being a director of the Company on the date that the consolidated audited accounts of the Company for the year ending 31 December 2018 are published and for Geoff Gillo, for being a non-executive director of the Company on such date. The exercise price of the options is the Placing Price. (£0.24). These were exercised on 22 May 2019.

The Company has also granted to SP Angel warrants to subscribe for 55,250 Ordinary Shares at the Placing Price, £0.24, exercisable at any time during the period of five years from Admission.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

24. SHARE-BASED PAYMENTS (CONTINUED)

Options will normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons, such as redundancy, retirement, ill-health, and, in other circumstances, at the discretion of the Remuneration Committee.

The movements in share options are as follows:

	2019 No	2018 No
At 1 January	2,180,250	1,409,417
Share options granted during the year	–	1,500,000
Share options exercised during the year	(625,000)	(729,167)
Share options lapsed during the year	(857,143)	–
At 31 December	698,107	2,180,250
Weighted average share price of options	£0.66	£0.35
Weighted average grant fair value	£0.04	£0.04
Weighted average contractual life	4 Months	14 Months
Exercise price	£0.24 to £0.70	£0.24 to £0.70

The weighted average grant fair value during the year was 2019 £0.04 (2018 – £0.04) per option. The outstanding options have a weighted average contractual life of 4 months, and exercise price between £0.24 and £0.70.

Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. Expected dividends are not incorporated into the fair value calculations. The fair value per option granted and the assumptions used in the calculations are as follows;

	2019	2018
Risk free investment	1.39%	1.55%
Expected life	24 Months	31 Months
Expected volatility	54.20%	50.72%

Weighted Average Share Price

For 2019 options granted, a volatility of 54.20% (2018 – 50.72%) has been used reflecting the historical volatility based on share transactions since listing. The maximum vesting period was used as a basis to determine the expected life of the option. The risk-free rate was based on the Government Gilts rates in effect at the time of the grant.

The Group recognised total expenses of £11,000 (2018 - £109,000) relating to equity-settled share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

25. LEASES

The Group adopted IFRS 16 with an initial application date of 1 January 2019. The Group applied the modified retrospective approach and comparative information has not been restated. Further information on the adoption of IFRS 16 can be found in note 2.1.

The Group as a lessee

The Group's leases consist primarily of property premises and equipment and is presented below:

Right-of-use assets

	Property Premises £000s	Equipment £000s	Total £000s
Cost			
Right-of-use assets recognised at 1 January 2019	30,205	719	30,924
Transfers from property, plant and equipment relating to finance leases (note 13)	–	100	100
At 1 January 2019	30,205	819	31,024
Additions during the year	1,938	378	2,316
At 31 December 2019	**32,143**	**1,197**	**33,340**
Depreciation			
Charge for the year	(5,623)	(332)	(5,955)
At 31 December 2019	**(5,623)**	**(332)**	**(5,955)**
NET BOOK VALUE			
At 31 December 2019	**26,520**	**865**	**27,385**

Lease liabilities included in the consolidated statement of financial position

	2019 £000s
Current	6,392
Non-Current	21,535
Total	**27,927**

Amount recognised in the consolidated income statement

	2019 £000s
Depreciation on right-of-use property premises	5,623
Depreciation charged on other right-of-use assets	332
Interest on lease liabilities	1,009
Total	**6,964**

The total cash outflow for leases during the current year was £6,546,000, including £591,000 of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

26. RELATED PARTY TRANSACTIONS

Delamode Holding BV, is indirectly owned by Shaun Godfrey, Sandu Grigore, and Cogels Investments Limited all of whom are shareholders of Xpediator Plc.

Delamode International Kft, Delamode Hungary, Kft and Delamode Consulting Srl are all subsidiaries of Delamode Holding BV.

Delamode Properitati Srl, a Company owned by Delamode Holding BV, is the landlord of one of the Group's leasehold properties in Romania. Rent payable under the current lease is at market rates. Shaun Godfrey, Sandu Grigore and Cogels Investment Limited are shareholders of Xpediator Plc.

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

	Sales		Purchases		Amounts owed by		Amounts owed to	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Related Party								
Delamode Holding BV	–	–	–	–	117	55	–	446
Delamode Propretati, Srl	3	3	271	227	4	7	80	2
Delamode Hungary Kft	–	–	–	–	–	50	–	16
Companies in which directors or their immediate family have a significant controlling interest								
Affinity Group Limited	–	–	–	–	–	45	4	–
COGELs Investment Ltd	–	–	–	–	–	237	–	–
Borrelli Capital Limited	–	–	2	13	–	–		–
Directors								
Shaun Godfrey	–	–	–	–	–	1	–	–
Richard Myson	–	–	–	–	–	–	–	1
Stephen Blyth	–	13	–	–	–	–	–	–

The maximum amount owed to the Group by the directors at any time during the year was as follows:

	2019 £'000	2018 £'000
Affinity Group Limited	4	45
COGELs Investment Ltd	237	237
Shaun Godfrey	–	14
Richard Myson	1	–
Stephen Blyth	–	13

Details of directors' remuneration and the remuneration of key management personnel are given in note 6.

At 31 December 2019, the bonuses payable to Stephen Blyth of £nil (2018 – £75,000) and Stuart Howard of £nil (2018 – £37,500) were accrued within these financial statements.

All related party transactions were made at an arm's length basis.

Delamode (SW) Limited

On the 1 June 2018, Delamode Holdings Limited entered into a franchise agreement with Delamode (SW) Limited ("DSW"), with Shaun Godfrey acting as a Director for both Companies. The Group provides certain administrative functions on behalf of DSW and charges a fee at an agreed rate and under the franchise agreement is entitled to a share of the profits. Included within the consolidated income statement is a management fee for the administrative functions and profit share of from DSW of £48,000 (2018 - £20,000).

At 31 December 2019, the amounts due from DSW was £9,000 (2018 - £89,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

27. EXCEPTIONAL ITEMS

During the year, the Group incurred non-recurring costs totalling £856,000 (2018 - £318,000) comprising of £190,000 (2018 - £nil) relating to the aborted acquisition of Intereuropa DD, £451,000 (2018 - £nil) relating to additional contingent deferred consideration on Anglia Forwarding Group Limited and £215,000 (2018 - £nil)relating to additional contingent deferred consideration due on the Regional Express acquisition.

In the previous financial year, the Group incurred costs of £318,000 relating to the acquisitions of Anglia Group Forwarding Limited and Import Services Limited. These costs relate to external accountancy, legal support, professional fees and stamp duty payable to local tax authorities.

28. SUBSEQUENT EVENTS

Robert Ross was appointed as a director on 2 January 2020.

COVID-19

As the Company announced on 31 March 2020 relating to COVID-19, the wellbeing and safety of our people, customers and suppliers is Xpediator's first priority. Where possible individuals are working remotely from their homes and we are continuing to operate effectively whilst also taking the appropriate actions to limit the spread of this virus.

So far this year activity levels have remained broadly in line with management expectations, with high demand from some sectors and other areas slowing. In response we have sought to allocate resource to match demand across the business. While it is hard to make any predictions under these extraordinary circumstances, based on very recent trends, the Board believes that demand for our freight management and warehouse services, both in the UK and Europe will remain sufficiently robust overall but will be more volatile in any given month, and that we have the systems and protocols in place to meet this demand.

We are benefitting from our diverse operations across the UK and Europe which has already helped us offset challenges in some areas with higher activity in other markets. Pall-EX and European road freight forwarding have been areas of strength together with good levels of warehouse utilisation. That said, operating in this market environment is more complicated involving driver shortages in certain markets, some supply issues, more complex border checks and general cost inflation most of which can be passed to clients.

The Group also has the natural advantage of being an asset light business and does not own a large fleet of trucks, instead we have low fixed overheads and typically act as a broker to our clients sourcing capacity from the market as it is required. Despite being in a relatively good position, the Board has taken the prudent decision to introduce temporary pay reductions, reduce costs in areas of reduced activity and suspend certain capital investment projects. As a result, there are no subsequent events that have impacted these financial statements.

29. NATURE OF LEASES

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable.

The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

	Lease Contract Number	Fixed Payments %	Variable Payments %	Sensitivity £'000
Property leases with payments linked to inflation	3	–	3%	302
Property leases with fixed payments	26	26%	–	–
Leases of plant & equipment	34	35%	–	–
Vehicle leases	35	36%	–	–
Total	**98**	**97%**	**3%**	**302**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

30. BUSINESS COMBINATIONS

Import Services Limited

On 13 July 2018, the Group acquired 100% of the issued share capital of Import Services Limited ("ISL") an international port-centric logistics Company. As ISL is based in Southampton, the Company is close to Britain's second largest deep-sea terminal and the first port of call for inbound container ships from the Far East and the USA into Northern Europe.

The principal reason for this acquisition was to enable the Group to enhance their warehousing and distribution services and to allow good cross-selling opportunities. The total consideration payable comprised cash on completion of £6,000,000, share based consideration of £3,000,000, Cash at completion equal to £5,773,000, a net working capital adjustment of £572,000 and two earn-out payments payable over two years. The deferred consideration is calculated as follows, both of which are subject to a maximum aggregate payment of £3,000,000:

- An amount equal to the amount by which the aggregate value of the Xpediator Shares is less than £4,500,000 on 30th April 2020. The maximum Additional Consideration shall not be greater than £1,500,000.
- If the Earnings Before Tax (EBT) is greater than the Target EBT (£1,462,500), £1,500,000 shall be payable. If EBT is less than the target EBT, the Earn Out payment shall be reduced by an amount by which EBT is less than the Target EBT multiplied by 3. If the aggregate value of the Xpediator Shares is equal or greater than £6,000,000 for a period of 90 consecutive days between the Completion Date and 30 April 2020, the additional Consideration and Earn Out Payment shall be deemed paid, and no payment will be made to the seller.

Fair Value assessment

As part of the fair value assessment of the Intangible assets of ISL, a Customer related and technology based intangible asset were identified. The fair value calculation of customer related intangible asset was determined by using the income approach based on the expected future cash flows. This was then discounted to determine the present value. The technology asset has been valued using the replacement cost approach. The valuation attempts to capture the effort required to develop similar technology at the valuation date. The weighted average cost of capital used in determining the present value, was 13.0%, which reflected the business and market risks factors. The outcome of the fair value calculation was to derive a customer related intangible asset with a value of £5,449,000 and a technology based asset of £510,000.

Economic useful life

When determining the economic useful life of the customer relationships the historical length of relationships with existing customers and those reported by listed companies in the sector was considered as well as an annual attrition rate of 7.0%. Based on these factors, it was concluded that the useful economic life for customer relationships in relation to ISL would be up to 12 years. For the technology based asset, a useful economic life of 5 years has been used, based on the pace of technological change in the sector.

Deferred tax

As a result of the creation of these intangible assets, there is a deferred tax liability, which was calculated as the sum of the fair values of the intangible assets multiplied by the tax rate. An average long-term tax rate of 17.0% was used as to determine this. This resulted in a deferred tax liability of £1,013,000.

Deferred Consideration

The deferred consideration consists of the

- payment relating to the earn out period and;
- amount by which the Completion Net Asset exceeds Target Net Assets and is dependent on the future share price of the Xpediator shares.

In determining the present value of the earn out payment, the first payment which is due in May 2020 was calculated using a cost of capital of 13.0%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

30. BUSINESS COMBINATIONS (CONTINUED)

Deferred Consideration (continued)

Using the forecasted results for the respective periods the present value of the deferred consideration relating to the earn out was calculated to be £2,573,000 (2018 - £1,583,000). The Directors have reviewed the fair value of the goodwill and deferred consideration relating to the acquisition of Import Services Limited in line with IFRS 3 Business Combinations, paragraph 45. Based on the interpretation of the standard, the Directors believe that there is new information available relating to the assumptions used to calculate the consideration payable. As a result of the new information, the Directors have increased the value of Goodwill and Consideration Payable to the vendors of Import Services Limited by £990,000.

Acquisition costs of £nil (2018 - £246,000) have been expensed to the income statement and are shown as part of the exceptional expenses.

Goodwill

When determining the revised goodwill arising on the acquisition the following calculations were used.

Purchase consideration	£'000
Initial consideration – cash paid	6,000
Initial consideration – shares	3,000
Initial consideration – cash in the business at acquisition	5,773
Net working capital adjustment	572
P.V. of deferred consideration	2,573
Total consideration for equity	**17,918**

Allocation of assets and liabilities acquired	
Intangible assets	
Customer-related intangible assets	5,449
Technology-related intangible assets	510
Other assets	
Inventories	13
Trade receivables	2,584
Other receivables	7,619
Cash	1,605
Fixed assets	727
Liabilities	
Trade payables	(1,874)
Other payables	(2,061)
Finance lease payables due within one year	(100)
Finance lease payables due more than one year	(41)
Provisions	(1,453)
Deferred tax liability for intangible assets	(1,013)
Goodwill	**5,953**

The goodwill recognised will not be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

31. ANALYSIS OF CHANGES IN NET DEBT

Group	At 31 December 2018 £'000	Cashflow £'000	Foreign exchange £'000	IFRS 16 adoption £'000	Right-of-use asset additions £'000	Non-cash interest charge right-of-use assets £'000	Other non-cash movements £'000	At 31 December 2019 £'000
Cash at bank	**8,449**	2,882	(570)	–	–	–	–	**10,761**
Short term deposits	**1,198**	(8)	–	–	–	–	–	**1,190**
Total Cash	**9,647**	**2,874**	**(570)**	**–**	**–**	**–**	**–**	**11,951**
Finance lease balances	**185**	–	–	–	–	–	(185)	**–**
Confidential invoice discounting facility	**3,024**	(642)	–	–	–	–	–	**2,382**
Bank loans	**3,191**	(575)	–	–	–	–	–	**2,616**
Right-of-use-assets	**–**	(6,546)	–	31,109	2,316	1,009	39	**27,927**
Total debt	**6,400**	**(7,763)**	**–**	**31,109**	**2,316**	**1,009**	**(146)**	**32,925**
Net cash/(debt)	**3,247**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,974)**
Net cash excluding right-of-use assets	**3,247**	**–**	**–**	**–**	**–**	**–**	**–**	**6,953**

Group	At 31 December 2017 £'000	Cashflow £'000	Foreign exchange £'000	Other non-cash movement £'000	At 31 December 2018 £'000
Cash at bank	**5,900**	2,359	190	–	**8,449**
Short term deposits	**1,485**	(287)	–	–	**1,198**
Bank overdrafts	**(45)**	45	–	–	**–**
Total Cash	**7,340**	**2,117**	**190**	**–**	**9,647**
Finance lease balances	**131**	(43)	–	97	**185**
Confidential invoice discounting facility	**2,213**	811	–	–	**3,024**
Bank loans	**3,510**	(319)	–	–	**3,191**
Total debt	**5,854**	**449**	**–**	**97**	**6,400**
Net cash	**1,486**				**3,247**

Reconciliation of net cash flow to movement in net debt

	2019 £'000	2018 £'000
Net increase in cash and cash equivalents	2,874	2,117
Net (increase) in borrowings and right-of-use assets/lease finance	(26,525)	(546)
Foreign exchange movements	(570)	190
(Increase)/decrease in net debt	(24,221)	1,761
Opening net cash	**3,247**	**1,486**
Closing net (debt)/cash	**(20,974)**	**3,247**

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSET			
Intangible assets	3	280	4
Property, plant and equipment	4	276	34
Investments	5	56,940	55,726
Trade and other receivables	6	751	1,290
		58,247	**57,054**
CURRENT ASSETS			
Trade and other receivables	6	1,879	2,586
Cash and cash equivalents		63	–
		1,942	2,586
TOTAL ASSETS		**60,189**	**59,640**
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	9	6,854	6,736
Share premium	10	11,987	11,868
Equity reserve	10	16	46
Merger reserve	10	24,694	23,915
Retained earnings	10	4,539	1,205
		48,090	**43,770**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred consideration	8	–	2,089
CURRENT LIABILITIES			
Overdraft		2,356	1,088
Deferred consideration	7	4,607	1,393
Trade creditors and other payables	7	5,136	11,300
Total liabilities		12,099	15,870
TOTAL EQUITY AND LIABILITIES		**60,189**	**59,640**

The Company made a profit in the year of £4,823,000 (2018 – £2,113,000).

Stephen Blyth

CEO

17 April 2020

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital £'000s	Share Premium £'000s	Equity Reserve £'000s	Merger Reserve £'000s	Retained Earnings £'000s	Total £'000s
Equity as at 1 January 2019		**6,736**	**11,868**	**46**	**23,915**	**1,205**	**43,770**
Contribution by and distribution to owners							
Dividends paid		–	–	–	–	(1,522)	(1,522)
Share based charge	9	–	–	3	–	–	3
Share options exercised	9	31	119	(33)	–	33	150
Shared based consideration on acquisitions	9	87	–	–	779	–	866
Total contributions by and distribution to owners		**6,854**	**11,987**	**16**	**24,694**	**(284)**	**43,267**
Profit for the year		–	–	–	–	4,823	4,823
Equity as at 31 December 2019		**6,854**	**11,987**	**16**	**24,694**	**4,539**	**48,090**

	Notes	Share Capital £'000s	Share Premium £'000s	Equity Reserve £'000s	Merger Reserve £'000s	Retained Earnings £'000s	Total £'000s
Equity as at 1 January 2018		**5,922**	**5,792**	**19**	**20,083**	**415**	**32,231**
Contribution by and distribution to owners							
Dividends paid		–	–	–	–	(1,323)	(1,323)
Issue of new ordinary shares	9	500	6,076	–	–	–	6,576
Share based charge	9	–	–	27	–	–	27
Share options exercised	9	36	–	–	–	–	36
Shared based consideration on acquisitions	9	278	–	–	3,832	–	4,110
Total contributions by and distribution to owners		**6,736**	**11,868**	**46**	**23,915**	**(908)**	**41,657**
Profit for the year		–	–	–	–	2,113	2,113
Equity as at 31 December 2018		**6,736**	**11,868**	**46**	**23,915**	**1,205**	**43,770**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Merger accounting

On 25 May 2017 the Company entered into a share swap agreement with the ultimate beneficiaries of Delamode Group Holdings Limited, whereby 4,000,000 new ordinary shares of £1.00 each were issued to the ultimate beneficiaries of Delamode Group Holdings Limited in exchange for their shares in Delamode Group Holdings Limited in the same proportion as their shareholding in Delamode Group Holdings Limited. The merger method of accounting is used to consolidate the results of Xpediator Plc.

Where merger relief is applicable, the cost of the investment is recorded at the fair value on the date of the transaction at below. The difference between the fair value of the investment and the nominal value of the shares (plus the fair value of any other consideration given) is shown as a merger relief reserve and no share premium is recognised.

On 8 June 2018, the Company issued 1,727,694 new ordinary shares of £0.05 each as part of the deferred consideration of Easy Managed Transport Limited.

On 13 July 2018, the Company issued 3,740,648 new ordinary shares of £0.05 each as part of the acquisition of Import Services Limited.

On 31 December 2018, the Company issued 84,951 new ordinary shares of £0.05 each as part of the deferred consideration of Regional Express Limited.

On 16 May 2019, the Company issued 1,655,876 shares to the former owners of Easy Managed Transport Limited as part of the final payment of the deferred consideration of Easy Managed Transport Limited.

On 5 December 2019, the Company issued 89,744 new ordinary shares of £0.05 each as part of the final deferred consideration of Regional Express Limited.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Going concern

The directors have concluded that it is appropriate that the financial statements have been prepared on a going concern basis given the cash balances as at 31 December 2019, and funding facilities in place across the Group, which it does not envisage will be withdrawn thus there are sufficient funds available to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements. The financial statements have therefore been prepared on a going concern basis.

The directors believe that based on the current budgets and forecast cash flows, there is sufficient resources to meet its liabilities as they fall due.

Intangible assets

Externally acquired intangible assets, are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangibles recognised by the Company, their useful economic lives and the methods used to determine the cost of intangibles are as follows

Licences	–	33% straight line

Property, Plant & Equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Computer Equipment	–	20%-33% straight line
Fixture & Fittings	–	20%-33% straight line
Leasehold Improvements	–	33% straight line

Fixed assets are stated at cost less depreciation and provision for impairment.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Employee benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Investments

Investments in subsidiaries are at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is expensed immediately; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The financial statements of the Company are presented in its reporting currency of Sterling. The functional currency of the Company is the UK Sterling.

Transactions in foreign currencies during the period have been converted at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated at the rates of exchange ruling on the balance sheet date. Any gains or losses arising from these conversions are credited or charged to the Consolidated Income Statement.

Other financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the contractual terms of the cash flows.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade, Intercompany and other receivables

The Company assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with original Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

The Company classifies its financial liabilities into two categories:

Other financial liabilities

The Company's other financial liabilities include bank loans, confidential invoice discounting facility, trade and other payables and accruals. Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value through profit and loss

This category only comprises of the element of deferred consideration on business combinations, which is contingent on the performance of the acquired businesses. The expected consideration payable is assessed at each balance sheet date with the movement in the expected liability being recorded in the income statement.

Share-based payments

The Company operates equity-settled share-based options plans. The fair value of the employee services received in exchange for the participation in the plan is recognised as an expense in the profit and loss account. The corresponding credit has been recognised in the profit and loss account reserve.

The fair value of the employee is based on the fair value of the equity instrument granted. This expense is spread over the vesting period of the instrument.

1.1 Critical accounting estimates and judgements

Impairment of Fixed Asset Investments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Impairment tests on investments are undertaken annually in November as part of the Company's budgeting process, except in the year of acquisition when they are tested at the year-end.

In preparing these financial statements, the key estimates relate to:

- The determination of the carrying value of the Company's investments in its subsidiary undertakings. Having identified an impairment indicator relating to the market capitalisation of the Group, the directors undertook an impairment assessment in line with the accounting policy. During the year, the directors recognised an impairment provision in the year amounting to £531,000 (2018 - £2,333,000) with respect to the Company's investment in Easy Management Transport Limited (2018 - Benfleet Forwarding Limited) which has been determined by reference to the recoverable value calculated in determining the impairment of goodwill relating to the Benfleet CGU in the group financial statements. Please see note 5 to the Company's financial statements.
- Deferred Contingent Consideration

The Company believes that any deferred consideration payable to sellers who continue to be employed is not part of their remuneration package and forms part of the cost of investment. Amounts payable are irrespective of continued employment with the acquired Company. The classification is further determined based on a number of factors including the breakdown of the acquisition consideration and the level of remuneration payable to selling shareholder. The Company has deferred consideration of £4,607,000 (2018 - £3,482,000), all of which is due within one year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. STAFF COSTS

Compensation consists of 2 executive Directors, 3 non-executive Directors and 6 other employees.

	2019 £'000	2018 £'000
Employee benefit expenses (including directors) comprise:		
Salaries	2,013	1,211
Short-term non-monetary benefits	43	18
Share based payments	3	27
Social security contributions and similar taxes	307	201
	2,366	**1,457**

3. INTANGIBLE ASSETS

COST

	Licences & Software £'000
At 1 January 2019	4
Additions	320
At 31 December 2019	**324**

AMORTISATION

	Licences & Software £'000
At 1 January 2019	–
Charge for the year	44
At 31 December 2019	**44**

NET BOOK VALUE

At 31 December 2019	280
At 1 January 2019	**4**

4. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements £'000	Fixture & Fittings £'000	Computer Equipment £'000	Total £'000
COST				
At 1 January 2019	–	15	23	38
Additions	49	1	242	292
At 31 December 2019	49	16	265	330
DEPRECIATION				
At 1 January 2019	–	1	3	4
Charge for the year	10	3	37	50
At 31 December 2019	10	4	40	54
NET BOOK VALUE				
At 31 December 2019	39	12	225	276
At 1 January 2019	**–**	**14**	**20**	**34**

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £'000s
At 1 January 2019	55,726
Additions During the Year	990
Impairments	(531)
Reversal of prior impairments	755
At 31 December 2019	**56,940**

The fixed asset investments additions are as follows:

Impairment

The carrying amount of the investment has been reduced to its recoverable through recognition of an impairment loss. An impairment of £531,000 (2018 - £2,333,000) has been recognised against the cost of investments for Easy Managed Transport (2018 – Benfleet Forwarding Limited). In addition, due to the improved trading and outlook at Benfleet Forwarding Limited, £755,000 of the previous impairment has now been reversed. The recoverable value was calculated using a value in use calculation based on the estimates set out in note 12 of the Group financial statements.

Sensitivity to changes in key assumptions

Impairment testing is dependent on managements estimates ad judgements, particularly as they relate to the forecasting of future cashflows, the discount rates selected and expected long-term growth rates.

The Group has conducted a sensitivity analysis on the impairment test of each of the Cash Generating Units ("CGU") classified within continuing operations. There is significant headroom on the carrying value of each CGU except for Import Services Limited (ISL) and Easy Management Transport (EMT).

Given the headroom in the other CGU's, it would require a significant change in assumptions to an impairment charge and the level of change is considered unlikely. The ISL Investment has a carrying value of £17,918,000 and EMT have a carrying value of £6,491,000 and based on the following assumptions, the effect of a reasonably possible change in the assumptions is disclosed in the table below:

ISL	Plan scenario	Change	Impact on Impairment £'000	
Long term growth	3.0%	+/- 1%	1,476	(1,203)
Post tax discount rate	12.8%	+/- 1%	2,207	(1,792)
EBIT (£000s)	9,667	-10%	–	(879)
Average EBIT margin	5.3%	+/- 1%	1,837	(1,837)

EMT	Plan scenario	Change	Impact on Impairment £'000	
Factor				
Long term growth	3.0%	+/- 1%	420	(350)
Post tax discount rate	14.1%	+/- 1%	660	(550)
EBIT (£000s)	5,468	-10%	–	(497)
Average EBIT margin	8.7%	+/- 1%	632	(632)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

6. DEBTORS

	2019 £'000	2018 £'000
Current:		
Trade receivables	6	58
Amounts owed from group undertakings	471	1,335
Prepayments	137	116
Other receivables	1,265	1,077
Total trade and other receivables	**1,879**	**2,586**
Non Current		
Trade and other receivables	**751**	**1,290**

7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Current:		
Trade payables	609	146
Amounts owed to group undertakings	4,016	10,766
Amounts owed to related party	23	–
Other taxes and social security	67	45
Accruals and deferred income	421	343
Deferred consideration	4,607	1,393
Total trade and other payables	**9,743**	**12,693**

The deferred consideration of £4,607,000 (2018 - £1,393,000) due within one year relates to the deferred consideration on the acquisitions of Import Services Limited, Regional Express Limited, and Anglia Forwarding Group Limited. Of this balance, £nil (2018 - £563,000) is contingent on performance related criteria.

8. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Deferred consideration	**-**	**2,089**

The deferred consideration of £nil (2018 – £2,089,000) due in more than one year relates to the deferred consideration on the acquisitions of Anglia Forwarding Group Limited and Import Services Limited. Of this balance, £nil (2018 – £2,089,000) is contingent on performance related criteria.

9. SHARE CAPITAL

See consolidated financial statements note 22 for share capital section.

10. RESERVES

Retained earnings: All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Merger Reserves: represents the difference between the net asset value of Delamode Group Holdings Limited and the nominal value of the shares issued by Xpediator Plc in consideration for the acquisition of Delamode Group Holdings Limited. In addition, the premium on the fair value in excess of the nominal value of shares issued in consideration for business combinations is credited to the merger reserve.

Share premium is the amount subscribed for share capital in excess of nominal value.

Equity reserve represents the cost of the share options granted that have not yet been exercised.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure of related party transactions with wholly owned fellow Group Companies. Related party transactions with key management personnel (including Directors) are shown in note 26 of the consolidated financial statements.

12. SHARED-BASED PAYMENTS

Share-based payments arrangements for employees are set out in the Directors Report (Remuneration note). Details of the share options in existence are shown in note 24 of the consolidated financial statements.

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