Company Registration No. 05200072

YODEL DELIVERY NETWORK LIMITED

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

for the year ended 30 June 2016

DIRECTORS

A S Barclay
H M Barclay
P L Peters
M Seal
R Stead
R J Neal

COMPANY NUMBER

05200072

REGISTERED OFFICE

Second Floor
Atlantic Pavilion
Albert Dock
Liverpool
L3 4AE

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

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STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 June 2016.

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

The financial statements have been prepared to the Saturday closest to 30 June 2016, which this year fell on 2 July (2015: 27 June), therefore the results in the Income Statement are for a 53 week period (2015: 52 week period).

Principal activities and business review
The principal activity of the Company is the provision of one-man packet and parcel delivery services and related transport activities. Yodel delivers packets and parcels on behalf of clients to both business (B2B) and household (B2C) customers in the United Kingdom. Clients include a diverse range of retail and other businesses, together with an increasing number of consumer to consumer (C2C) clients.

The Company operates under the brand name "Yodel".

The Income Statement is set out on page 9 and shows a loss for the year after tax of £50.4m (2015: £46.7m). The Group and Company's financial position are set out on pages 11 and 12. On an EBITDA (Earnings before interest, taxation, depreciation and amortisation, pre-exceptional items and inclusive of the share of the loss from the Collect+ joint venture) basis improvement has been made during the year under review as detailed below:

	2016 £'m	2015 £'m
EBITDA pre-exceptional items and inclusive of the share of the loss from the Collect+ joint venture	(14.7)	(21.9)

The directors report a £7m EBITDA improvement compared to the prior year. The Company remains committed to achieving customer excellence and aspires to please each and every customer, recognising that there are improvements to be made to achieve this objective.

Outlook
The Company continues to focus on providing excellent client and customer service and product offerings, which will enable it to win new contracts. There has been downward pressure on pricing generally in the industry throughout the last year. The Company is reacting by taking the necessary steps in order to move towards becoming a profitable business.

The UK packets and parcels market continues to enjoy volume growth driven by the continuing shift in consumer demand for on-line shopping. Customers are becoming increasingly demanding with flexibility of delivery options and enhanced tracking becoming critical. The expansion of 'Click and Collect' shopping also continues to be a focus for Yodel, principally through its joint venture Collect+.

The Company have and continue to invest in improving the quality of its Service Centres throughout the year. In addition, Yodel are progressing with significant investment in an upgrade of its IT systems and infrastructure.

The directors forecast that the EBITDA result for the Company for the year ending June 2017 will show further improvement.

STRATEGIC REPORT (CONTINUED)

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

- customer confidence from the uncertainty relating to Brexit;
- lack of volume leading to sub-optimal usage of assets;
- market de-stabilisation caused by aggressive and distressed competitor activity; and
- IT systems failures or disruptions which would impact our ability to deliver service performance.

On behalf of the Board

P L Peters
Director
28 November 2016

DIRECTORS' REPORT

The directors present their report and audited financial statements of the Group for the year ended 30 June 2016.

Directors

The following directors have held office since 1 July 2015, unless otherwise noted below:

A S Barclay
H M Barclay
P L Peters
M Seal
R Stead
K Basnett (resigned 24 June 2016)
R J Neal

Shares and dividends

On 29 June 2016 65,000,000 ordinary £1 shares were issued at par (2015: 56,000,000). The directors do not recommend the payment of a dividend (2015: £nil).

Going concern

The basis of the directors' conclusion on going concern is set out in Note 3 to the financial statements.

Political contributions

There were no political contributions in the year (2015: £nil).

Employee involvement

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

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

DIRECTORS' REPORT (CONTINUED)

Disabled employees

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

Employee consultation

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

Elective resolution

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

Statement of disclosure to auditor

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

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

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

Auditor

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

Financial risk management objectives and policies

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

Credit risk

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

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

DIRECTORS' REPORT (CONTINUED)

Credit risk (continued)

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

Liquidity risk

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

On behalf of the Board

P L Peters
Director
28 November 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YODEL DELIVERY NETWORK LIMITED

We have audited the financial statements of Yodel Delivery Network Limited for the year ended 30 June 2016, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 30 June 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YODEL DELIVERY NETWORK LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
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.

William Smith

William Smith (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 November 2016

CONSOLIDATED INCOME STATEMENT

	Notes	2016 £'000	2015 £'000
Revenue	5	422,673	428,446
Cost of sales		(342,891)	(357,562)
Gross profit		79,782	70,884
Operating expenses		(113,831)	(112,943)
Operating exceptional items	6	(14,009)	(4,851)
Share of operating (loss)/ profit of joint venture		(1,381)	1,506
Operating loss	7	(49,439)	(45,404)
Finance costs	9	(1,081)	(1,337)
Finance income	9	82	42
Loss before taxation		(50,438)	(46,699)
Tax	10	-	-
Loss for the year		(50,438)	(46,699)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2016 £'000**	**2015 £'000**
Loss for the year		(50,438)	(46,699)
Remeasurement of net defined benefit liability	*27*	(646)	(787)
Total comprehensive expense for the year		(51,084)	(47,486)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 £'000	2015 £'000	2014 £'000
Non-current assets				
Goodwill	12	42,087	42,087	42,087
Other intangible assets	13	22,858	20,162	20,420
Property, plant and equipment	14	48,984	50,112	46,287
Investment in joint ventures	15	788	2,169	814
		114,717	114,530	109,608
Current assets				
Inventories	16	1,180	1,283	1,171
Trade and other receivables	17	87,870	78,482	70,817
Cash at bank and in hand		-	9,711	7,700
Total current assets		89,050	89,476	79,688
Current liabilities				
Trade and other payables	20	(69,880)	(81,922)	(72,691)
Net current assets		19,170	7,554	6,997
Non-current liabilities				
Payables due after more than one year	18	(7,570)	(11,237)	(10,347)
Retirement benefit obligations	27	(11,745)	(12,807)	(13,672)
Provisions for liabilities	21	(11,363)	(8,747)	(11,807)
Total non-current liabilities		(30,678)	(32,791)	(35,826)
Net assets		103,209	89,293	80,779
Equity				
Called-up share capital	23	693,000	628,000	572,000
Retained earnings	24	(589,791)	(538,707)	(491,221)
Equity attributable to owners of the Company		103,209	89,293	80,779

The financial statements of Yodel Delivery Network Limited, Company number 05200072, were approved by the Board of Directors on 28 November 2016.

Signed on its behalf

P L Peters
Director

M Seal
Director

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2016 £'000**	**2015 £'000**	**2014 £'000**
Non-current assets				
Goodwill	*12*	106,196	106,196	106,196
Other intangible assets	*13*	22,858	20,162	20,420
Property, plant and equipment	*14*	48,984	50,112	46,287
Investment in subsidiaries	*15*	-	-	514
Investment in joint ventures	*15*	5,990	5,990	6,141
		184,028	182,460	179,558
Current assets				
Inventories	*16*	1,180	1,283	1,171
Trade and other receivables	*17*	87,871	78,481	72,609
Cash at bank and in hand		-	9,711	7,700
Total current assets		89,051	89,475	81,480
Current liabilities				
Trade and other payables	*20*	(75,020)	(87,060)	(79,671)
Net current assets		14,031	2,415	1,809
Non-current liabilities				
Payables due after more than one year	*18*	(7,570)	(11,237)	(10,347)
Retirement benefit obligations	*27*	(11,745)	(12,807)	(13,672)
Provisions for liabilities	*21*	(11,363)	(8,747)	(11,807)
Total non-current liabilities		(30,678)	(32,791)	(35,826)
Net assets		167,381	152,084	145,541
Equity				
Called-up share capital	*23*	693,000	628,000	572,000
Retained earnings	*24*	(525,619)	(475,916)	(426,459)
Equity attributable to owners of the Company		167,381	152,084	145,541

The financial statements of Yodel Delivery Network Limited, Company number 05200072, were approved by the Board of Directors on 28 November 2016.

Signed on its behalf

P L Peters
Director

M Seal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders		
	Called-up share capital	**Retained earnings**	**Total**
Notes	*23*	*24*	
	£'000	**£'000**	**£'000**
At 30 June 2014	572,000	(478,133)	93,867
Changes on transition to IFRS (Note 32)	-	(13,088)	(13,088)
At 1 July 2014 as restated	572,000	(491,221)	80,779
Loss for the year	-	(46,699)	(46,699)
Remeasurement of net defined benefit liability	-	(787)	(787)
Issue of share capital	56,000	-	56,000
At 30 June 2015	628,000	(538,707)	89,293
Loss for the year	-	(50,438)	(50,438)
Remeasurement of net defined benefit liability	-	(646)	(646)
Issue of share capital	65,000	-	65,000
At 30 June 2016	693,000	(589,791)	103,209

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders		
	Called-up share capital	**Retained earnings**	**Total**
Notes	*23*	*24*	
	£'000	**£'000**	**£'000**
At 30 June 2014	572,000	(413,371)	158,629
Changes on transition to IFRS (Note 32)	-	(13,088)	(13,088)
At 1 July 2014 as restated	572,000	(426,459)	145,541
Loss for the year	-	(49,184)	(49,184)
Remeasurement of net defined benefit liability	-	(787)	(787)
Dividend received from Group companies	-	514	514
Issue of share capital	56,000	-	56,000
At 30 June 2015	628,000	(475,916)	152,084
Loss for the year	-	(49,057)	(49,057)
Remeasurement of net defined benefit liability	-	(646)	(646)
Issue of share capital	65,000	-	65,000
At 30 June 2016	693,000	(525,619)	167,381

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2016 £'000	2015 £'000
Net cash flows used in operating activities	25	(48,673)	(29,948)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		207	863
Purchases of property, plant and equipment		(12,600)	(10,039)
Purchase of intangible assets		(9,956)	(7,069)
Repayments of loans from joint venture		-	151
Interest received		82	34
Net cash flows used in investing activities		(22,267)	(16,060)
Cash flows from financing activities			
Repayments of obligations under finance leases		(4,117)	(5,310)
Repayment of finance lease interest		(640)	(791)
Proceeds on issue of shares		65,000	56,000
Net cash from financing activities		60,243	49,899
Net (decrease)/ increase in cash and cash equivalents		(10,697)	3,891
Cash and cash equivalents at the start of the year		9,711	5,820
Cash and cash equivalents at the end of the year	25	(986)	9,711

PARENT COMPANY CASH FLOW STATEMENT

	Notes	2016 £'000	2015 £'000
Net cash flows used in operating activities	25	(48,673)	(29,948)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		207	863
Purchases of property, plant and equipment		(12,600)	(10,039)
Purchases of intangible assets		(9,956)	(7,069)
Repayments of loans from joint venture		-	151
Interest received		82	34
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Net (decrease)/ increase in cash and cash equivalents		(10,697)	3,891
Cash and cash equivalents at the start of the year		9,711	5,820
Cash and cash equivalents at the end of the year	25	(986)	9,711

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

Yodel Delivery Network Limited is a Company incorporated in the United Kingdom under the Companies Act. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 and 2.

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

The financial statements have been prepared to the Saturday closest to 30 June 2016, which this year fell on 2 July (2015: 27 June).

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the financial statements

The following standards and interpretations have come into effect during the year. The adoption of these amendments has not had any material impact on the disclosures or amounts reported in these financial statements:

IAS 36 (amendments)	Recoverable amount disclosures for Non-Financial Assets
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities

At the date of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 11 (amendments)	Accounting for acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method In Separate Financial Statements
IFRS 10 and IAS 28	Sale of Contribution of Assets between an investor and its Associate or Joint Venture

The Group has not yet completed its assessment of the impact of the new standards listed above on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis modified to include certain items at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Yodel Delivery Network Limited and its subsidiary undertakings drawn up to 30 June each year. The accounting policies of subsidiary undertakings are consistent with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Going concern (continued)

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

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

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

Revenue recognition

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

Leases

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

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

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

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

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

Operating loss

Operating loss is stated after charging restructuring costs and after the share of results of the joint venture, but before finance costs and finance income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Operating exceptional items

Operating exceptional items are those items which are not incurred in the usual course of business. These primarily relate to reorganisation and restructuring costs.

Pensions

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

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

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

Taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Taxation (continued)

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

Property, plant and equipment

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

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

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

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

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

Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Intangible assets- software

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

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

Impairment of tangible and intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value and consist of consumables. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

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

Provisions

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

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

Investments in joint ventures

A joint venture is an entity in which the Group holds an interest on a long term basis and which it jointly controls with one or more other venturers under a contractual arrangement. The Group's share of profits less losses of joint ventures is included in the consolidated Income Statement, and the Group's share of their net assets is included within fixed asset investments in the consolidated Statement of Financial Position.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

5. Revenue

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Operating exceptional items

	2016 £'000	2015 £'000
Reorganisation and restructuring costs	12,002	9,101
Onerous contract	2,007	-
Exceptional income	-	(4,250)
	14,009	4,851

The reorganisation and restructuring costs relate to operational improvement plans which have taken place in the current and previous financial years.

The onerous contract relates to a customer contract where the costs of fulfilling the contract outweigh the benefits of fulfilling the contract.

Exceptional income in the prior year related to income from the surrender of a lease at a Service Centre.

7. Operating loss

Operating loss is stated after charging/ (crediting):

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	11,602	11,495
Amortisation of intangible assets	8,043	7,161
Impairment of property, plant and equipment	120	533
Reversal of impairment of property, plant and equipment	(127)	-
Operating lease rentals	36,067	32,236
Loss/ (profit) on disposal of property, plant and equipment	1,052	(630)
Loss on disposal of intangible assets	47	84
Fees payable to the Company's auditor for the audit of the Company's and Group's financial statements	104	112

There were non-audit fees payable to the auditor of £32k (2015: £nil) for the Group and the Company in respect of other services.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Staff costs

	2016 Number	2015 Number
Average monthly number of full time equivalents (including part-time staff and directors) employed:		
Administration	786	751
Distribution and customer services	3,249	3,095
	4,035	3,846

	2016 £'000	2015 £'000
Directors' remuneration		
Aggregate emoluments	871	942
Contributions to defined contribution schemes	13	88
	884	1,030

	2016 £'000	2015 £'000
Remuneration of the highest paid director:		
Aggregate emoluments	477	362

	2016 £'000	2015 £'000
Staff costs (including part-time staff and directors) during the year:		
Wages and salaries	115,856	111,614
Social security costs	10,921	10,535
Other pension costs	3,268	3,373
Redundancy	1,851	6,017
	131,896	131,539

During the year three (2015: four) directors were paid through the Company.

During the financial year the directors did not participate in the Group defined benefit schemes (2015: nil) and one (2015: three) director had contributions paid into money purchase pension schemes.

All remaining directors were remunerated by parent undertakings for which costs are not recharged.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Finance costs and finance income

	2016 £'000	2015 £'000
Interest payable on finance leases	640	791
Interest on pension scheme liabilities	441	546
Finance costs	1,081	1,337

	2016 £'000	2015 £'000
Bank interest receivable	51	11
Interest receivable on loans to the joint venture	31	31
Finance income	82	42

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Tax

	2016 £'000	2015 £'000
Current taxation:		
Corporation tax at 20.0% (2015: 20.75%)	-	-

The Finance Act 2015, which was substantively enacted in July 2015, included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. On 16 March 2016, the government announced that it intends to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was not substantively enacted as at year end the impact of the anticipated rate change is not reflected in the tax provisions reported in these financial statements.

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

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(50,438)	(46,699)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.0% (2015: 20.75%)	(10,088)	(9,690)
Effects of:		
Income not taxable	(54)	(1,375)
Expenses not deductible for tax purposes	1,009	776
Transfer pricing adjustments	28	96
Chargeable gains	-	1,035
Fixed assets timing differences	2,660	2,500
Short term timing differences	341	(119)
Unrecognised tax losses	6,033	6,817
Group relief surrendered/ (received) for nil consideration	71	(40)
Group total tax charge for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Loss of holding Company

The loss on ordinary activities after taxation for the year attributable to the Company amounted to £49.1m (2015: £49.2m). The holding Company has taken advantage of Section 408 of the Companies Act 2006 and has not published its own Income Statement or Statement of Comprehensive Income.

12. Goodwill

Group	**Goodwill £'000**
Cost	
As at 30 June 2014, 2015 & 2016	42,087

Company	**Goodwill £'000**
Cost	
As at 30 June 2014, 2015 & 2016	106,196

The Group goodwill relates to the acquisition of the trade and assets of Reality Group Limited and Business Express Network Limited.

The Company goodwill relates to the acquisition of the trade and assets of Reality Group Limited and Business Express Network Limited and amounts transferred in from investments following the transfer of assets from Parcelpoint Limited, HDN (NI) Limited and Yodel Transport Limited.

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

The Group performed its annual impairment test as at 30 June 2016. The recoverable amount of the cash-generating unit has been determined based on the value in use calculations. This uses cash flow projections derived from the most recent financial budgets approved by directors for the next four years and extrapolates cash flows for the following years in perpetuity using an estimated growth rate of 4%. This rate does not exceed the average long term growth rate for the market. Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this cash-generating unit. The pre-tax discount rate applied is 13.1%.

The key assumptions upon which directors have based their cash flow projections are volume growth, price reduction and cost reduction.

Sensitivity analysis has been completed on key assumptions in isolation. The directors believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Other intangible assets

Group and Company	**Assets under the course of construction £'000**	**Software £'000**	**Total £'000**
Cost			
At 1 July 2013	5,329	24,067	29,396
Additions	3,222	2,905	6,127
Transfers between categories	(4,007)	4,007	-
Disposals	(44)	-	(44)
At 30 June 2014	4,500	30,979	35,479
Additions	2,619	4,368	6,987
Transfers between categories	(4,383)	4,383	-
Disposals	-	(1,951)	(1,951)
At 30 June 2015	2,736	37,779	40,515
Additions	8,787	1,999	10,786
Transfers between categories	(2,054)	2,054	-
Disposals	-	(543)	(543)
At 30 June 2016	9,469	41,289	50,758
Amortisation			
At 1 July 2013	-	8,496	8,496
Charge for the year	-	6,563	6,563
At 30 June 2014	-	15,059	15,059
Charge for the year	-	7,161	7,161
Disposals	-	(1,867)	(1,867)
At 30 June 2015	-	20,353	20,353
Charge for the year	-	8,043	8,043
Disposals	-	(496)	(496)
At 30 June 2016	-	27,900	27,900
Net book value			
At 30 June 2016	9,469	13,389	22,858
At 30 June 2015	2,736	17,426	20,162
At 30 June 2014	4,500	15,920	20,420

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Property, plant and equipment

Group and Company

	Freehold land & buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings & equipment £'000	Assets under the course of construction £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 July 2013	-	4,123	77,237	2,060	14,066	97,486
Additions	689	546	7,461	1,574	3,834	14,104
Transfers between categories	-	220	1,574	(1,794)	-	-
Transfers with other entities	-	-	-	(37)	193	156
Disposals	-	(517)	(13,884)	-	(4,792)	(19,193)
At 30 June 2014	689	4,372	72,388	1,803	13,301	92,553
Additions	-	12	8,773	3,643	3,658	16,086
Transfers between categories	-	26	1,685	(1,738)	27	-
Disposals	-	(232)	(22,969)	-	(222)	(23,423)
At 30 June 2015	689	4,178	59,877	3,708	16,764	85,216
Additions	-	620	9,580	1,525	1	11,726
Transfers between categories	-	465	3,733	(4,198)	-	-
Disposals	-	(472)	(8,950)	-	(1,795)	(11,217)
At 30 June 2016	689	4,791	64,240	1,035	14,970	85,725
Depreciation						
At 1 July 2013	-	449	42,902	-	8,058	51,409
Charge for the year	-	624	11,182	-	1,832	13,638
Disposals	-	(127)	(12,951)	-	(4,436)	(17,514)
Reversal of impairment	-	-	(1,267)	-	-	(1,267)
At 30 June 2014	-	946	39,866	-	5,454	46,266
Charge for the year	-	561	8,666	-	2,268	11,495
Disposals	-	(158)	(22,957)	-	(75)	(23,190)
Impairment losses	-	-	533	-	-	533
At 30 June 2015	-	1,349	26,108	-	7,647	35,104
Charge for the year	-	446	8,804	-	2,352	11,602
Disposals	-	(341)	(8,032)	-	(1,585)	(9,958)
Impairment losses	-	-	120	-	-	120
Reversal of impairment	-	-	(127)	-	-	(127)
At 30 June 2016	-	1,454	26,873	-	8,414	36,741
Net book value						
At 30 June 2016	689	3,337	37,367	1,035	6,556	48,984
At 30 June 2015	689	2,829	33,769	3,708	9,117	50,112
At 30 June 2014	689	3,426	32,522	1,803	7,847	46,287

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Property, plant and equipment (continued)

The Group has leased various motor vehicles and equipment which are considered to meet the definition of finance leases and are accounted for accordingly. The net book value of assets held under finance leases is £11.1m (2015: £15.8m). Depreciation charged on finance leased assets in the year was £4.2m (2015: £5.3m).

During the financial year there was an impairment charge of £0.1m (2015: £0.5m). This is recognised in respect of assets where the recoverable value of the asset is considered to be less than the net book value. There was also a reversal of an impairment provision of £0.1m (2015: £nil) for assets where the value has been reassessed and the previous impairment provision is no longer required.

15. Fixed asset investments

	Group £'000	Company £'000
Investment in subsidiaries		
At 1 July 2014	-	514
Impairment	-	(514)
At 30 June 2015	-	-
At 30 June 2016	-	-
Investment in joint ventures		
At 1 July 2014	814	6,141
Repayment of loans	(151)	(151)
Share of retained profit	1,506	-
At 30 June 2015	2,169	5,990
Share of retained loss	(1,381)	-
At 30 June 2016	788	5,990
Total fixed asset investments	788	5,990

During the prior year, the investment in dormant subsidiary Trident Investments Limited was impaired as it was put into members' voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Fixed asset investments (continued)

The Company had the following subsidiary and joint venture undertakings at 30 June 2016:

Directly owned:

Company Name	Country of incorporation	Class of shares held	Proportion of voting rights held	Nature of business
Drop & Collect Limited (T/A Collect+)	England and Wales	Ordinary	50%	Local store parcel drop off and collection
Parcelpoint Limited	England and Wales	Ordinary	100%	Dormant
HDN (NI) Limited	England and Wales	Ordinary	100%	Dormant

The financial statements of Drop & Collect Limited (T/A Collect+) are drawn up to 31 March 2016. Their principal place of business is the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Inventories

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Consumables	1,180	1,283	1,171	1,180	1,283	1,171

The directors consider that there is no material difference between the balance sheet value of inventories and the replacement cost.

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

17. Trade and other receivables

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due within one year:						
Trade receivables	39,861	41,732	40,589	39,861	41,732	40,589
Allowance for doubtful debts	(2,519)	(2,454)	(651)	(2,519)	(2,454)	(651)
	37,342	39,278	39,938	37,342	39,278	39,938
Amounts due from Group undertakings	38,559	29,572	21,321	38,560	29,571	23,110
Prepayments and accrued income	11,437	8,419	8,321	11,437	8,419	8,321
Other receivables	532	1,213	1,237	532	1,213	1,240
	87,870	78,482	70,817	87,871	78,481	72,609

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Trade and other receivables (continued)

The average credit period on the sale of goods is 40 (2015: 42, 2014: 49) days. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 181 days because historical experience has been that receivables that are past due beyond 181 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 30 and 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Movement in the allowance for doubtful debts:

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Balance at 1 July	2,454	651	318	2,454	651	318
Increase in provision	826	2,352	365	826	2,352	365
Amounts utilised during the year	(761)	(549)	(32)	(761)	(549)	(32)
Balance at 30 June	2,519	2,454	651	2,519	2,454	651

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Ageing of past due but not impaired receivables 30-180- days	6,831	5,383	3,923	6,831	5,383	3,923

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was originally granted up to the reporting date. The Group's largest 10 customers' accounted for 34% of trade receivables as at 30 June 2016 (2015: 27%, 2014: 25%).

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £364k (2015: £244k, 2014: £172k) due from companies which have been placed into liquidation.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Borrowings

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Unsecured borrowings at amortised cost						
Bank balance	986	-	1,880	986	-	1,880
Secured borrowings at amortised cost						
Finance lease liabilities	11,278	15,395	14,947	11,278	15,395	14,947
Total borrowings	12,264	15,395	16,827	12,264	15,395	16,827
Amounts due for settlement within 12 months	4,694	4,158	6,480	4,694	4,158	6,480
Amounts due for settlement after 12 months	7,570	11,237	10,347	7,570	11,237	10,347

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Finance leases

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Minimum lease payments						
Within one year	4,161	4,808	5,204	4,161	4,808	5,204
In the second to fifth year inclusive	7,630	11,024	10,181	7,630	11,024	10,181
After five years	502	1,227	1,084	502	1,227	1,084
	12,293	17,059	16,469	12,293	17,059	16,469
Less: future finance charges	(1,015)	(1,664)	(1,522)	(1,015)	(1,664)	(1,522)
Present value of lease obligations	11,278	15,395	14,947	11,278	15,395	14,947

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Finance leases (continued)

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Present value of minimum lease payments						
Within one year	3,708	4,158	4,600	3,708	4,158	4,600
In the second to fifth year inclusive	7,072	10,052	9,302	7,072	10,052	9,302
After five years	498	1,185	1,045	498	1,185	1,045
Present value of lease obligations	11,278	15,395	14,947	11,278	15,395	14,947
Analysed as:						
Amounts due for settlement within 12 months	3,708	4,158	4,600	3,708	4,158	4,600
Amounts due for settlement after 12 months	7,570	11,237	10,347	7,570	11,237	10,347
	11,278	15,395	14,947	11,278	15,395	14,947

It is the Group's policy to lease certain vehicles and other equipment under finance lease. The average lease term is 6.7 years (2015: 6.4 years). For the year ended 30 June 2016 the average effective borrowing rate was 4.6% (2015: 4.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Trade and other payables

	Group 2016 £'000	Group 2015 £'000	Group 2014 £'000	Company 2016 £'000	Company 2015 £'000	Company 2014 £'000
Bank balance	986	-	1,880	986	-	1,880
Trade payables	22,484	16,947	15,509	22,484	16,947	15,509
Amounts owed to Group companies	5,416	11,549	692	10,556	16,688	7,672
Other creditors	3,247	9,509	14,013	3,247	9,508	14,013
Social security and other taxes	7,476	9,152	5,814	7,476	9,152	5,814
Accruals and deferred income	26,563	30,607	30,183	26,563	30,607	30,183
Finance leases	3,708	4,158	4,600	3,708	4,158	4,600
	69,880	81,922	72,691	75,020	87,060	79,671

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

Trade creditors comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 65 (2015: 66, 2014: 66) days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

21. Provisions for liabilities

	At 1 July 2015	Charged to the profit and loss account	Utilised during the year	Released to the profit and loss account	At 30 June 2016
Group and Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rationalisation	451	863	(452)	-	862
Dilapidations	-	625	-	-	625
Vehicle provisions	3,516	4,824	(4,466)	(126)	3,748
Other provisions	4,780	3,545	(1,244)	(2,051)	5,030
Onerous contract	-	1,098	-	-	1,098
	8,747	10,955	(6,162)	(2,177)	11,363

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Provisions for liabilities (continued)

	At 1 July 2014	Charged to the profit and loss account	Utilised during the year	Released to the profit and loss account	At 30 June 2015
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rationalisation	1,228	452	(1,229)	-	451
Dilapidations	140	-	(85)	(55)	-
Vehicle provisions	4,231	3,475	(4,190)	-	3,516
Other provisions	6,208	2,010	(2,968)	(470)	4,780
	11,807	5,937	(8,472)	(525)	8,747

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

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

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

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

The onerous contract provision relates to a customer contract where the costs of fulfilling the contract are considered to outweigh the benefits of fulfilling the contract. This is expected to be utilised in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Deferred taxation asset

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

	2016 £'000	2015 £'000	2014 £'000
Group			
Fixed asset timing differences	21,357	21,138	19,964
Short term timing differences	3,095	3,524	3,714
Losses	48,541	47,643	32,557
Deferred tax asset	72,993	72,305	56,235
Deferred tax asset not recognised	(72,993)	(72,305)	(56,235)
Deferred tax asset recognised	-	-	-

At 30 June 2016 deferred tax assets of £73.0m (2015: £72.3m, 2014: £56.2m) have not been recognised due to insufficient certainty over the recoverability of this asset by the relevant companies within the Group.

23. Called-up share capital

Group and Company	2016 £'000	2015 £'000	2014 £'000
Allotted, called-up and fully paid:			
693,000,000 (2015: 628,000,000, 2014: 572,000,000) Ordinary shares of £1 each	693,000	628,000	572,000

On 29 June 2016 the Company allotted 65,000,000 (2015: 56,000,000) ordinary shares with an aggregate nominal value of £65,000,000. The shares were issued at par and have been fully paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Reserves

	Retained earnings £'000
Group	
At 1 July 2014	(491,221)
Loss for the financial year	(46,699)
Remeasurement of net defined benefit liability	(787)
At 30 June 2015	(538,707)
Loss for the financial year	(50,438)
Remeasurement of net defined benefit liability	(646)
At 30 June 2016	(589,791)
Company	
At 1 July 2014	(426,459)
Loss for the financial year	(49,184)
Remeasurement of net defined benefit liability	(787)
Dividend received from Group companies	514
At 30 June 2015	(475,916)
Loss for the financial year	(49,057)
Remeasurement of net defined benefit liability	(646)
At 30 June 2016	(525,619)

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Notes to the cash flow statement

Reconciliation of operating loss to cash flows from operating activities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Operating loss for the financial year	(49,439)	(45,404)	(48,059)	(47,889)
Adjusted for:				
Share of joint venture loss/ (profit)	1,381	(1,506)	-	-
Impairment loss on property, plant and equipment	120	533	120	533
Impairment reversal on property, plant and equipment	(127)	-	(127)	-
Impairment of investment	-	-	-	514
Depreciation of property, plant and equipment	11,602	11,495	11,602	11,495
Amortisation of intangible assets	8,043	7,161	8,043	7,161
Loss/ (profit) on disposal of property, plant and equipment	1,052	(630)	1,052	(630)
Loss on disposal of intangible assets	47	84	47	84
Operating cash flow before movement in working capital	(27,321)	(28,267)	(27,322)	(28,732)
Decrease/ (increase) in inventories	103	(112)	103	(112)
(Increase) in receivables	(9,391)	(7,665)	(9,390)	(5,359)
(Decrease)/ increase in payables	(14,680)	9,307	(14,680)	7,466
Increase / (decrease) in provisions	2,616	(3,211)	2,616	(3,211)
Cash used in operations	(48,673)	(29,948)	(48,673)	(29,948)
Cash and cash equivalents				
Cash and bank balances	-	9,711	-	9,711
Bank overdrafts	(986)	-	(986)	-
	(986)	9,711	(986)	9,711

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Operating lease arrangements

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

Group and Company

	Vehicles	
	2016	**2015**
	£'000	**£'000**
Within one year	9,943	6,658
In the second to fifth years inclusive	9,424	8,655

	Properties	
	2016	**2015**
	£'000	**£'000**
Within one year	14,806	12,028
In the second to fifth years inclusive	50,190	29,225
After five years	48,858	31,684

Operating lease payments represent rentals payable by the Group for certain of its office properties with an average lease term of 12.2 years (2015: 11.3 years) and other items of equipment with an average lease term of 3.5 years (2015: 3.1 years).

27. Retirement benefit schemes

Defined contribution scheme

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

Contributions to the defined contribution schemes are also charged to the Income Statement. The total cost of the contributions to all the schemes within these accounts amounted to £3.3m (2015: £3.4m). At 30 June 2016 there were pension contributions payable of £0.5m (2015: £0.5m).

Defined benefit schemes

The Group participates in the following pension arrangements:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

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

d. There is an unfunded unapproved retirement benefit arrangement ("UURBS") which provides a benefit on retirement equal to the additional pension the member would have accrued had he not been subject to the Earnings Cap in the Littlewoods Pensions Scheme and the Shop Direct Group Limited Pension Plan. The Group makes benefit payments directly as they fall due.

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

Ex-gratia and UURBS arrangements

An independent actuary has estimated the Ex-gratia and UURBS liabilities relating to the Group. Employee turnover is assumed to be at the rate of 10% (2015: 10%) per annum for employees under age 55 and all employees who remain in service will retire at age 65.

The major assumptions used by the actuaries for valuing both funded and unfunded liabilities were:

	2016	**2015**
Rate of increase in pensionable salaries	3.2%	3.6%
Rate of increase in pensions in payment if RPI 5%	2.6%	3.1%
Rate of increase in pensions in payment if RPI 2.5%	2.0%	2.3%
Discount rate	2.9%	3.8%
Rate of increases in pensions in deferment	1.7%	2.1%
RPI inflation assumption	2.7%	3.1%
CPI inflation assumption	1.7%	2.1%

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Retirement benefit schemes (continued)

Mortality assumptions

The life expectancy assumptions used by the actuaries for valuing both funded and unfunded liabilities were:

	Male: 65 year old retiring in the current year		Male: retiring in 25 years aged 65		Female: 65 year old retiring in the current year		Female: retiring in 25 years aged 65	
	2016 Years	2015 Years	2016 Years	2015 Years	2016 Years	2015 Years	2016 Years	2015 Years
Scheme	22.1	22.7	23.9	24.4	23.3	24.0	25.6	26.4
Plan	23.9	24.4	26.1	26.8	25.9	26.8	28.3	29.2
UURBS	22.1	22.7	23.9	24.4	23.3	24.0	25.6	26.4

There is no mortality assumption for the Ex-gratia liabilities since benefits are paid in a lump sum on retirement.

Amounts recognised in the Income Statement in respect of these defined benefit schemes are as follows:

	2016			2015		
	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
Current service (cost)	(0.1)	-	(0.1)	-	(0.1)	(0.1)
Included within administrative expenses	(0.1)	-	(0.1)	-	(0.1)	(0.1)
Net interest expense included within finance costs (note 9)	(0.3)	(0.1)	(0.4)	(0.5)	-	(0.5)
Components of defined benefit costs recognised in profit or loss	(0.4)	(0.1)	(0.5)	(0.5)	(0.1)	(0.6)

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Retirement benefit schemes (continued)

Amounts recognised in the Statement of Comprehensive Income are as follows:

	2016 Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	2016 Total £'m	2015 Scheme and Plan £'m	2015 Ex-gratia and UURBS £'m	2015 Total £'m
The return on plan assets (excluding amounts included in net interest expense)	38.8	-	38.8	21.8	-	21.8
Actuarial losses	(6.9)	-	(6.9)	(13.8)	-	(13.8)
Adjustments for restrictions on the defined benefit asset	(32.5)	-	(32.5)	(8.8)	-	(8.8)
Remeasurement of the net defined benefit liability	(0.6)	-	(0.6)	(0.8)	-	(0.8)

	2016 Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	2016 Total £'m	2015 Scheme and Plan £'m	2015 Ex-gratia and UURBS £'m	2015 Total £'m
Present value of defined benefit obligations	(200.0)	(1.3)	(201.3)	(202.2)	(1.2)	(203.4)
Fair value of plan assets	256.6	-	256.6	223.9	-	223.9
Funded status	56.6	(1.3)	55.3	21.7	(1.2)	20.5
Restrictions on asset recognised	(56.6)	-	(56.6)	(21.7)	-	(21.7)
IFRIC 14 liability	(10.4)	-	(10.4)	(11.6)	-	(11.6)
Net liability arising from defined benefit obligation	(10.4)	(1.3)	(11.7)	(11.6)	(1.2)	(12.8)

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2016 Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	2016 Total £'m	2015 Scheme and Plan £'m	2015 Ex-gratia and UURBS £'m	2015 Total £'m
Opening defined benefit obligation	(202.3)	(1.2)	(203.5)	(189.4)	(1.0)	(190.4)
Movement in year:						
Current service credit/ (cost)	-	-	-	0.1	(0.1)	-
Interest cost	(7.2)	(0.1)	(7.3)	(7.9)	(0.1)	(8.0)
Actuarial losses	(2.2)	-	(2.2)	(13.9)	-	(13.9)
Benefits paid	9.9	-	9.9	7.8	-	7.8
Liabilities extinguished on settlements	1.8	-	1.8	1.0	-	1.0
Closing defined benefit obligation	(200.0)	(1.3)	(201.3)	(202.3)	(1.2)	(203.5)

Movements in the fair value of plan assets in the year were as follows:

	2016 Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	2016 Total £'m	2015 Scheme and Plan £'m	2015 Ex-gratia and UURBS £'m	2015 Total £'m
Opening fair value of plan assets	223.9	-	223.9	200.2	-	200.2
Movement in year:						
Current service cost	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Interest income	8.2	-	8.2	8.5	-	8.5
The return on plan assets (excluding amounts included in net interest expense)	38.8	-	38.8	21.9	-	21.9
Actuarial losses	(4.8)	-	(4.8)	-	-	-
Contributions from the employer	2.3	-	2.3	2.2	-	2.2
Benefits paid	(9.9)	-	(9.9)	(7.8)	-	(7.8)
Assets distributed on settlements	(1.8)	-	(1.8)	(1.0)	-	(1.0)
Closing fair value of plan assets	256.6	-	256.6	223.9	-	223.9

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Retirement benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting year for each category are as follows:

	2016 £'m	2015 £'m
Cash and equivalents	12.5	7.0
Equity instruments	89.5	44.5
Derivatives	154.6	172.4
Total	256.6	223.9

The actual return on plan assets was £47.0m (2015: £30.4m).

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

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £0.2m (2015: £0.2m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £0.2m (2015: £0.2m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £0.2m (2015: £0.2m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £0.2m (2015: £0.2m).

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

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

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

The Group expects to make a contribution of £1.0m (2015: £0.8m) to the defined benefit schemes during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments

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

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Financial assets				
Cash	-	9,711	-	9,711
Loans and receivables	75,901	68,850	75,902	68,849
Total financial assets	75,901	78,561	75,902	78,560
Financial liabilities				
Financial liabilities at amortised cost	(40,164)	(43,891)	(45,304)	(49,030)
Total financial liabilities	(40,164)	(43,891)	(45,304)	(49,030)

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

	Group 2016 £'000	Group 2015 £'000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	640	791

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Related party transactions

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

	Sale of goods and services		Purchase of goods and services	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Littlewoods Clearance Limited	152	218	-	-
Shop Direct Home Shopping Limited	97,563	124,899	4,163	5,350
Shop Direct Financial Services Limited	3	139	4	-
Shop Direct Ireland Limited	8,261	7,983	-	-
Drop & Collect Limited (T/A Collect+)	25,014	22,160	124	186
Arrow XL Limited	1,971	5,670	21,599	44,769
Yodel Properties Limited	-	-	976	260

	Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Littlewoods Clearance Limited	17	15	-	-
Shop Direct Home Shopping Limited	-	-	(2,146)	(11,288)
Shop Direct Financial Services Limited	-	37	-	-
Shop Direct Ireland Limited	775	667	-	-
Shop Direct Holdings Limited	2,133	2,134	-	-
Drop & Collect Limited (T/A Collect+)	-	-	-	(1,753)
Arrow XL Limited	-	578	(3,257)	-
Yodel Logistics Limited	35,638	26,143	-	-
Yodel Properties Limited	-	-	(13)	(261)

Drop & Collect Limited is the Group's joint venture undertaking. The remaining companies listed above are all members of the ultimate parent company, L W Corporation Limited's group of companies.

During the year the Group received no repayments for loans (2015: £0.2m) that have been made to Drop & Collect Limited. The loan balance at the year end was £5.4m (2015: £5.6m) and is included within investments. The Group had interest receivable of £0.03m (2015: £0.03m) in respect of this loan. At the year end the Group had £2.3m (2015: £1.8m) of accrued income.

During the year the Company received funding of £65m from its parent company Yodel Logistics Limited (2015: £56m). Interest charged on this was £nil (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Related party transactions (continued)

Remuneration of key management personnel

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

	2016 £'000	2015 £'000
Short-term employee benefits	1,805	2,539
Post-employment benefits	287	352
Termination benefits	932	-
	3,024	2,891

30. Cross-guarantee

The Company has entered into a bank cross- guarantee with other Group companies. The guarantee amounts to £150.0m at 30 June 2016 (2015: £250.0m) relating to facilities in the name of Yodel Logistics Limited.

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

31. Ultimate controlling party

The immediate holding Company is Yodel Logistics Limited, a company registered in England and Wales. The largest Group, for which the financial statements are publicly available, into which the results of the Company are consolidated into is Yodel Distribution Holdings Limited, a company registered in England and Wales, which the directors regard as being ultimately controlled by Sir David Barclay and Sir Fredrick Barclay Family Settlements. The smallest Group into which the results of the Company are consolidated is the financial statements of Yodel Logistics Limited, which are publicly available from Companies House.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Initial adoption of IFRS

This is the first financial year that the Group and Company have presented their financial statements under International Financial Reporting Standards (IFRSs) and IFRSs adopted by the European Union. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to IFRS was therefore 1 July 2014.

Reconciliation of equity

	Group		Company	
	At 30 June 2015 £'000	**At 30 June 2014 £'000**	**At 30 June 2015 £'000**	**At 30 June 2014 £'000**
Equity reporting under previous UK GAAP	99,800	93,867	159,216	158,629
Adjustments to equity under IFRS:				
Adjustment 1	3,887	-	7,262	-
Adjustment 2	(270)	(509)	(270)	(509)
Adjustment 3	(14,124)	(12,579)	(14,124)	(12,579)
Equity reported under IFRS	89,293	80,779	152,084	145,541

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. Initial adoption of IFRS (continued)

Reconciliation of profit and loss account

	Group		Company	
	At 30 June 2015 £'000	**At 30 June 2014 £'000**	**At 30 June 2015 £'000**	**At 30 June 2014 £'000**
Total comprehensive expense for the financial year under previous UK GAAP	(50,067)	(73,905)	(55,926)	(78,083)
Adjustment 1	3,887	-	7,262	-
Adjustment 2	239	(509)	239	(509)
Adjustment 3	(1,545)	(12,579)	(1,545)	(12,579)
Total comprehensive expense for the financial year under IFRS	(47,486)	(86,993)	(49,970)	(91,171)

Notes to the reconciliation of equity and profit and loss account

Adjustment 1: Reversal of goodwill amortisation

Under UK GAAP goodwill was previously amortised straight-line over 20 years. Under IFRS goodwill is held at cost and reviewed annually for impairment. The value of goodwill at 30 June 2014 has been taken as the deemed cost on transition to IFRS. Amortisation charged under UK GAAP during the year ended 30 June 2015 has been reversed and the value of goodwill restated at the deemed cost value.

Adjustment 2: Recognition of a holiday pay accrual

Under UK GAAP no accrual was recognised for the cost of holidays that employees have accrued but not taken at the financial year end. Under IFRS an accrual has been recognised at the year ended 30 June 2014 and 30 June 2015 for the cost of this.

Adjustment 3: Recognition of a multi-employer defined benefit scheme pension liability

Under UK GAAP the Scheme and the Plan were treated as defined contribution schemes as Yodel were unable to identify their share of the underlying assets and liabilities on a consistent and reliable basis. Under IFRS these pension schemes have now been recognised in the Statement of Financial Position.