

Company Registration No. 05200072

**YODEL DELIVERY NETWORK LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL**  
**STATEMENTS**

for the year ended 30 June 2017

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YODEL DELIVERY NETWORK LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
For the year ended 30 June 2017

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**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  
Statutory Auditor  
London  
United Kingdom

**YODEL DELIVERY NETWORK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**STRATEGIC REPORT**

The directors present their Strategic Report for the year ended 30 June 2017.

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 2017, which this year fell on 1 July (2016: 2 July), therefore the results in the Income Statement are for a 52 week period (2016: 53 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, plus provides a network through its Collect+ business for local collection and returns parcels, all in the United Kingdom. Clients include a diverse range of retail and other businesses.

The Company operates under the brand name of "Yodel" and is licensed to use the Collect+ brand which it co owns. In December 2016, Yodel Delivery Network Limited acquired the remaining 50% of Drop & Collect Limited.

The Income Statement is set out on page 10 and shows a loss for the year after tax of £80.5m (2016: £50.4m). The Group and Company's financial position are set out on pages 12 and 13. The EBITDA (Earnings before interest, taxation, depreciation and amortisation, pre-exceptional items) is inclusive of the share of the results from the Drop & Collect joint venture for six months and has six months of results on a fully consolidated basis following the full acquisition of the entity.

	2017 £'m	2016 £'m
EBITDA pre-exceptional items and inclusive of the share of the results from joint operations	(26.9)	(14.7)

The directors report a £12.2m EBITDA decline compared to the prior year due to a volume shortfall caused by client losses that were only partially offset by new business. This has also resulted in an impairment charge of £20.6m being recognised against goodwill.

**Outlook**

The Company continues to focus on providing excellent client and customer service and product offerings. There has been downward pressure on pricing generally in the industry.

The UK packets and parcels market continues to enjoy volume growth driven by the increasing shift in consumer demand for on-line shopping. Customers are becoming increasingly demanding with flexibility of delivery options and enhanced tracking becoming critical. The expansion of 'Click and Collect' shopping also continues to be a focus for Yodel, principally through its wholly owned subsidiary Drop & Collect Limited and through the use of the Collect+ brand which Yodel co owns.

The Company have and continue to invest in improving the quality of its service centres throughout the year. In addition, Yodel is progressing with significant investment in an upgrade of its IT systems and infrastructure and new product development.

The directors expect that the Yodel financial result for the year ending June 2018 will again be challenging, however the Yodel business is now focused on delivering a number of key financial initiatives that are expected to set the business on a profitable trajectory.

## 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;
- catastrophic IT systems failures or disruptions which would impact our ability to deliver service performance; and
- continued delivery of Yodel's transformation programme.

On behalf of the Board



P L Peters  
Director  
12<sup>th</sup> December 2017

## **DIRECTORS' REPORT**

The directors present their report and audited financial statements of the Group for the year ended 30 June 2017.

### **Directors**

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

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

### **Shares and dividends**

On 26 June 2017 67,000,000 ordinary £1 shares were issued at par (2016: 65,000,000). The directors do not recommend the payment of a dividend (2016: £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 (2016: £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 Company has passed elective resolutions to dispense with the holding of annual general meetings and for the laying of the annual report and financial statements before the Company in general meetings, until such time as the elections are revoked.

### **Statement of disclosure to auditor**

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

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

**Events after the Statement of Financial Position date**

There were no events after the Statement of Financial Position date that require disclosure.

**On behalf of the Board**



P L Peters  
Director  
12<sup>th</sup> December 2017



## **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.

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

**Report on the audit of the financial statements**

**Opinion**

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 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Yodel Delivery Network Limited (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Parent Company Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Parent Company Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 31.

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.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the 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.

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We have nothing to report in respect of these matters.

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

**Other information**

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

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

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

**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.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.



William Smith (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
12<sup>th</sup> December 2017

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**CONSOLIDATED INCOME STATEMENT**

	<i>Notes</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Revenue</b>	<b>5</b>	<b>409,798</b>	<b>422,673</b>
Cost of sales		(337,964)	(342,891)
<b>Gross profit</b>		<b>71,834</b>	<b>79,782</b>
Operating expenses		(117,196)	(113,831)
Operating exceptional items	<b>6</b>	(39,210)	(14,009)
Share of operating profit/ (loss) of joint venture		937	(1,381)
Gain on bargain purchase	<b>15</b>	1,725	-
<b>Operating loss</b>	<b>7</b>	<b>(81,910)</b>	<b>(49,439)</b>
Finance costs	<b>9</b>	(617)	(1,081)
Finance income	<b>9</b>	46	82
<b>Loss before taxation</b>		<b>(82,481)</b>	<b>(50,438)</b>
Tax	<b>10</b>	2,000	-
<b>Loss for the year</b>		<b>(80,481)</b>	<b>(50,438)</b>

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

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
Loss for the year		(80,481)	(50,438)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	27	3,746	(646)
<b>Total comprehensive expense for the year</b>		<b>(76,735)</b>	<b>(51,084)</b>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Goodwill	12	21,487	42,087
Other intangible assets	13	31,045	22,858
Property, plant and equipment	14	42,034	48,984
Investment in joint venture	15	-	788
		<u>94,566</u>	<u>114,717</u>
<b>Current assets</b>			
Inventories	16	1,380	1,180
Trade and other receivables	17	91,418	87,870
Cash at bank and in hand		<u>1,839</u>	<u>-</u>
<b>Total current assets</b>		<u>94,637</u>	<u>89,050</u>
<b>Current liabilities</b>			
Trade and other payables	20	<u>(72,681)</u>	<u>(69,880)</u>
<b>Net current assets</b>		<u>21,956</u>	<u>19,170</u>
<b>Non-current liabilities</b>			
Payables due after more than one year	18	(4,200)	(7,570)
Retirement benefit obligations	27	(6,945)	(11,745)
Provisions for liabilities	21	(11,903)	(11,363)
<b>Total non-current liabilities</b>		<u>(23,048)</u>	<u>(30,678)</u>
<b>Net assets</b>		<u>93,474</u>	<u>103,209</u>
<b>Equity</b>			
Called-up share capital	23	760,000	693,000
Retained earnings	24	<u>(666,526)</u>	<u>(589,791)</u>
<b>Equity attributable to owners of the Company</b>		<u>93,474</u>	<u>103,209</u>

The financial statements of Yodel Delivery Network Limited, Company number 05200072, were approved by the Board of Directors on 12<sup>th</sup> December 2017.

Signed on its behalf



**P L Peters**  
Director



**M Seal**  
Director

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**PARENT COMPANY STATEMENT OF FINANCIAL POSITION**

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Goodwill	12	85,596	106,196
Other intangible assets	13	30,467	22,858
Property, plant and equipment	14	42,029	48,984
Investment in joint venture	15	-	5,990
		<u>158,092</u>	<u>184,028</u>
<b>Current assets</b>			
Inventories	16	1,380	1,180
Trade and other receivables	17	86,392	87,871
Cash at bank and in hand		<u>1,049</u>	<u>-</u>
<b>Total current assets</b>		<u>88,821</u>	<u>89,051</u>
<b>Current liabilities</b>			
Trade and other payables	20	<u>(78,150)</u>	<u>(75,020)</u>
<b>Net current assets</b>		<u>10,671</u>	<u>14,031</u>
<b>Non-current liabilities</b>			
Payables due after more than one year	18	(4,200)	(7,570)
Retirement benefit obligations	27	(6,945)	(11,745)
Provisions for liabilities	21	(11,903)	(11,363)
<b>Total non-current liabilities</b>		<u>(23,048)</u>	<u>(30,678)</u>
<b>Net assets</b>		<u>145,715</u>	<u>167,381</u>
<b>Equity</b>			
Called-up share capital	23	760,000	693,000
Retained earnings	24	(614,285)	(525,619)
<b>Equity attributable to owners of the Company</b>		<u>145,715</u>	<u>167,381</u>

The Company reported a loss for the financial year ended 30 June 2017 of £92.4m (2016: £49.1m).

The financial statements of Yodel Delivery Network Limited, Company number 05200072, were approved by the Board of Directors on 12<sup>th</sup> December 2017.

Signed on its behalf:



**P L Peters**  
Director



**M Seal**  
Director



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>Notes</i>	Equity attributable to equity shareholders		Total
	Called-up share capital	Retained earnings	
	<sup>23</sup> £'000	<sup>24</sup> £'000	£'000
<b>At 1 July 2015</b>	628,000	(538,707)	89,293
Loss for the year	-	(50,438)	(50,438)
Remeasurement of net defined benefit liability	-	(646)	(646)
Total comprehensive expense for the year	-	(51,084)	(51,084)
Issue of share capital	65,000	-	65,000
<b>At 30 June 2016</b>	693,000	(589,791)	103,209
Loss for the year	-	(80,481)	(80,481)
Remeasurement of net defined benefit liability	-	3,746	3,746
Total comprehensive expense for the year	-	(76,735)	(76,735)
Issue of share capital	67,000	-	67,000
<b>At 30 June 2017</b>	760,000	(666,526)	93,474

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**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

<i>Notes</i>	<b>Equity attributable to equity shareholders</b>		<b>Total</b>
	<b>Called-up share capital</b>	<b>Retained earnings</b>	
	<b>23</b>	<b>24</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 July 2015</b>	628,000	(475,916)	152,084
Loss for the year	-	(49,057)	(49,057)
Remeasurement of net defined benefit liability	-	(646)	(646)
Total comprehensive expense for the year	-	(49,703)	(49,703)
Issue of share capital	65,000	-	65,000
<b>At 30 June 2016</b>	693,000	(525,619)	167,381
Loss for the year	-	(92,412)	(92,412)
Remeasurement of net defined benefit liability	-	3,746	3,746
Total comprehensive expense for the year	-	(88,666)	(88,666)
Issue of share capital	67,000	-	67,000
<b>At 30 June 2017</b>	760,000	(614,285)	145,715

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**CONSOLIDATED CASH FLOW STATEMENT**

		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	<i>Notes</i>		
<b>Net cash flows used in operating activities</b>	25	(46,253)	(48,673)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		15	207
Purchases of property, plant and equipment		(3,896)	(12,600)
Purchase of intangible assets		(13,013)	(9,956)
Acquisition on subsidiary, net of cash acquired		3,069	-
Interest received		61	82
<b>Net cash flows used in investing activities</b>		(13,764)	(22,267)
<b>Cash flows from financing activities</b>			
Repayments of obligations under finance leases		(3,705)	(4,117)
Repayment of finance lease interest		(453)	(640)
Proceeds on issue of shares		67,000	65,000
<b>Net cash from financing activities</b>		62,842	60,243
<b>Net increase/ (decrease) in cash and cash equivalents</b>		2,825	(10,697)
<b>Cash and cash equivalents at the start of the year</b>		(986)	9,711
<b>Cash and cash equivalents at the end of the year</b>	25	1,839	(986)

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**PARENT COMPANY CASH FLOW STATEMENT**

		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	<i>Notes</i>		
<b>Net cash flows used in operating activities</b>	25	(44,126)	(48,673)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		15	207
Purchases of property, plant and equipment		(3,892)	(12,600)
Purchases of intangible assets		(12,866)	(9,956)
Interest received		62	82
<b>Net cash flows used in investing activities</b>		(16,681)	(22,267)
<b>Cash flows from financing activities</b>			
Repayments of obligations under finance leases		(3,705)	(4,117)
Repayment of finance lease interest		(453)	(640)
Proceeds on issue of shares		67,000	65,000
<b>Net cash from financing activities</b>		62,842	60,243
<b>Net increase/ (decrease) in cash and cash equivalents</b>		2,035	(10,697)
<b>Cash and cash equivalents at the start of the year</b>		(986)	9,711
<b>Cash and cash equivalents at the end of the year</b>	25	1,049	(986)

## 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 private Company limited by shares and incorporated and registered in England and Wales under the Companies Act. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 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 2017, which this year fell on 1 July (2016: 2 July).

### 2. Adoption of new and revised Standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<p>Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i></p>	<p>The Group has adopted the amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 <i>Business Combinations</i>. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.</p> <p>A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.</p> <p>The adoption of these amendments has had no impact on the Group's consolidated financial statements.</p>
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Adoption of new and revised Standards (continued)**

<p>Amendments to IAS 1 <i>Disclosure Initiative</i></p>	<p>The Group has adopted the amendments to IAS 1 <i>Disclosure Initiative</i> for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.</p> <p>In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.</p> <p>The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes.</p> <p>The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Group.</p>
<p>Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i></p>	<p>The Group has adopted the amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:</p> <ul style="list-style-type: none"> <li>a) when the intangible asset is expressed as a measure of revenue; or</li> <li>b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.</li> </ul> <p>As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Group's consolidated financial statements.</p>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Adoption of new and revised Standards (continued)

Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i>	<p>The Group has adopted the amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> for the first time in the current year. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:</p> <ul style="list-style-type: none"> <li>• at cost,</li> <li>• in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or</li> <li>• using the equity method as described in IAS 28 <i>Investments in Associates and Joint Ventures</i>.</li> </ul> <p>The same accounting must be applied to each category of investments.</p> <p>The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.</p> <p>The adoption of the amendments has had no impact on the Company's separate financial statements as the Company accounts for investments in subsidiaries and associates at cost and is not an investment entity.</p>
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### New and revised IFRSs in issue but not yet effective

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

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 16	<i>Leases</i>
IAS 7 (amendments)	<i>Disclosure Initiative</i>
IAS 12 (amendments)	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

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

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures; and
- IFRS 16 will have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

## 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 the directors consider that the existing plans are both robust and deliverable.

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

#### Revenue recognition

The Group's activities consist of the provision of a 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 trade payables 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

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

## **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 and include a material planned long term programme of restructuring and reorganisation.

#### **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 Statement of Financial Position date.

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

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

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

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

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**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 scrapping of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

**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.

#### **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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Accounting policies (continued)**

**Financial instruments**

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

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

***Financial assets***

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

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

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

***Impairment of financial assets***

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Accounting policies (continued)**

**Financial instruments (continued)**

***Impairment of financial assets (continued)***

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

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

***Equity instruments***

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

***Financial liabilities***

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

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

**Provisions**

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

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

**Joint arrangements**

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

Joint arrangements are classified as either:

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

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

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **3. Accounting policies (continued)**

#### **Joint arrangements (continued)**

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

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

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

### **4. Critical accounting judgements and key sources of estimation uncertainty**

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

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

#### **Critical judgements in applying the Group's accounting policies**

There are not considered to be any critical judgements in applying the Group's accounting policies.

#### **Key sources of estimation uncertainty**

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

#### **Impairment of 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. The carrying value of goodwill at 30 June 2017 is Group £21.5m, Company £85.6m (2016: Group £42.1m, Company £106.2m), after an impairment charge of £20.6m in both Group and Company.

### **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**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Reorganisation and restructuring costs	18,610	12,002
Onerous contract	-	2,007
Impairment of goodwill	20,600	-
	<hr/> 39,210	<hr/> 14,009

The reorganisation and restructuring costs relate to a material planned long term programme of restructuring and integration.

In the previous financial year the exceptional costs included an item related to an onerous customer contract.

Goodwill has been impaired in the year as a result of the annual impairment test (Note 12).

**7. Operating loss**

Operating loss is stated after charging/ (crediting):

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Depreciation of property, plant and equipment	10,706	11,602
Amortisation of intangible assets	6,393	8,043
Impairment of property, plant and equipment	24	120
Reversal of impairment of property, plant and equipment	(118)	(127)
Impairment of goodwill	20,600	-
Operating lease rentals	35,081	36,067
Loss on disposal of property, plant and equipment	489	1,052
Loss on disposal of intangible assets	4	47
Gain on bargain purchase	(1,725)	-
Fees payable to the Company's auditor for the audit of the Company's and Group's financial statements	123	104

There were non-audit fees payable to the auditor of £nil (2016: £32k for a review of IT capability) for the Group and the Company in respect of other services.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. Staff costs**

	<b>2017 Number</b>	<b>2016 Number</b>
<b>Average monthly number of full time equivalents (including part-time staff and directors) employed:</b>		
Administration	821	786
Distribution and customer services	3,190	3,249
	<hr/> 4,011	<hr/> 4,035
	<hr/> <b>2017 £'000</b>	<hr/> <b>2016 £'000</b>
<b>Directors' remuneration</b>		
Aggregate emoluments	491	871
Contributions to defined contribution schemes	-	13
	<hr/> 491	<hr/> 884
	<hr/> <b>2017 £'000</b>	<hr/> <b>2016 £'000</b>
<b>Remuneration of the highest paid director:</b>		
Aggregate emoluments	391	477
	<hr/> <b>2017 £'000</b>	<hr/> <b>2016 £'000</b>
<b>Staff costs (including part-time staff and directors) during the year:</b>		
Wages and salaries	115,175	115,856
Social security costs	10,858	10,921
Other pension costs	3,124	3,268
Redundancy	3,485	1,851
	<hr/> 132,642	<hr/> 131,896

During the year two (2016: three) directors were paid through the Company.

During the financial year the directors did not participate in the Group defined benefit schemes (2016: nil) and no directors (2016: one) 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**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Interest payable on finance leases	453	640
Bank interest payable	2	-
Interest on pension scheme liabilities	162	441
	<hr/>	<hr/>
Finance costs	617	1,081
	<hr/>	<hr/>

	<b>2017 £'000</b>	<b>2016 £'000</b>
Bank interest receivable	36	51
Interest receivable on loans to the joint venture	10	31
	<hr/>	<hr/>
Finance income	46	82
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. Tax**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b>Current taxation:</b>		
Corporation tax at 19.75% (2016: 20.0%)	2,000	-

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 30 June 2017.

During the year commencing 1 July 2018, the net reversal of deferred tax liabilities is expected to increase the corporation tax charge for the year by £nil. This is primarily due to the movement on depreciation and capital allowances.

In addition, Finance Bill 2016 was substantively enacted on 6 September 2016, which introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. There is no expiry date on timing differences, unused tax losses or tax credits.

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:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Loss on ordinary activities before tax	(82,481)	(50,438)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2016: 20.0%)	(16,295)	(10,088)
Effects of:		
Income not taxable	(639)	(54)
Expenses not deductible for tax purposes	4,528	1,009
Transfer pricing adjustments	62	28
Fixed assets timing differences	1,723	2,660
Short term timing differences	132	341
(Utilisation)/ unrecognised tax losses	(209)	6,033
Group relief surrendered for nil consideration	8,698	71
Group total tax credit for the year	(2,000)	-

**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 £92.4m (2016: £49.1m). 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**

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
As at 1 July 2016	42,087
Impairment	(20,600)
	<hr/>
As at 30 June 2017	21,487
	<hr/>
<b>Company</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
As at 1 July 2016	106,196
Impairment	(20,600)
	<hr/>
As at 30 June 2017	85,596
	<hr/>

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 2017. 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%.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. Goodwill (continued)**

At 30 June 2017, before impairment testing, goodwill of £42.1m was allocated to the Yodel Group cash generating unit (CGU). Yodel has been impacted by client losses that were only partially offset by new business and there has been downward pressure on pricing in the industry Yodel operates in. The Group has revised its cash flow forecasts for this CGU. The Yodel Group CGU has therefore been reduced to its recoverable amount of £93.5m through recognition of an impairment loss against goodwill of £20.6m.

The key assumptions upon which directors have based their cash flows are volume growth, marginal price increases, driven by returns volumes, and cost reduction. Sensitivity analysis has been completed on key assumptions in isolation. Revenue per parcel (RPP) of £2.95 in the year ended 30 June 2018 is a key assumption within the cash flow projections. A reduction of 1p in RPP in perpetuity would increase impairment by £12.7m. Parcel volume assumptions are also a key assumption within the cash flow projections. A reduction of 1m parcels in perpetuity would increase impairment by £17.8m. Cost per parcel (CPP) assumptions are also a key assumption within the cash flow projections. A reduction of 1p per parcel in perpetuity would increase impairment by £13.0m.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13. Other intangible assets**

<b>Group</b>	<b>Assets under the course of construction £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
At 1 July 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
Acquired on acquisition of subsidiary	-	601	601
Additions	8,419	5,564	13,983
Transfers between categories	(858)	858	-
Disposals	-	(9,430)	(9,430)
At 30 June 2017	17,030	38,882	55,912
<b>Amortisation</b>			
At 1 July 2015	-	20,353	20,353
Charge for the year	-	8,043	8,043
Disposals	-	(496)	(496)
At 30 June 2016	-	27,900	27,900
Charge for the year	-	6,393	6,393
Disposals	-	(9,426)	(9,426)
At 30 June 2017	-	24,867	24,867
<b>Net book value</b>			
At 30 June 2017	17,030	14,015	31,045
At 30 June 2016	9,469	13,389	22,858

Assets acquired in acquisition of subsidiary refers to the assets acquired on the step acquisition of 100% owned subsidiary, Drop & Collect Limited, on 15 December 2016 (note 15).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13. Other intangible assets (continued)**

<b>Company</b>	<b>Assets under the course of construction £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
At 1 July 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
Additions	8,419	5,417	13,836
Transfers between categories	(858)	858	-
Disposals	-	(9,430)	(9,430)
At 30 June 2017	17,030	38,134	55,164
<b>Amortisation</b>			
At 1 July 2015	-	20,353	20,353
Charge for the year	-	8,043	8,043
Disposals	-	(496)	(496)
At 30 June 2016	-	27,900	27,900
Charge for the year	-	6,223	6,223
Disposals	-	(9,426)	(9,426)
At 30 June 2017	-	24,697	24,697
<b>Net book value</b>			
At 30 June 2017	17,030	13,437	30,467
At 30 June 2016	9,469	13,389	22,858



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Property, plant and equipment**

**Group**

	Freehold land & buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings & equipment £'000	Assets under the course of construction £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 July 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
Acquired on acquisition of subsidiary	-	-	25	-	-	25
Additions	-	702	2,854	585	-	4,141
Transfers between categories	-	33	559	(592)	-	-
Disposals	-	(678)	(4,411)	-	(228)	(5,317)
At 30 June 2017	689	4,848	63,267	1,028	14,742	84,574
<b>Depreciation</b>						
At 1 July 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
Charge for the year	-	379	8,064	-	2,263	10,706
Disposals	-	(506)	(4,117)	-	(190)	(4,813)
Impairment losses	-	-	24	-	-	24
Reversal of impairment	-	-	(118)	-	-	(118)
At 30 June 2017	-	1,327	30,726	-	10,487	42,540
<b>Net book value</b>						
At 30 June 2017	689	3,521	32,541	1,028	4,255	42,034
At 30 June 2016	689	3,337	37,367	1,035	6,556	48,984

Assets acquired on acquisition of subsidiary refers to the assets acquired on the step acquisition of 100% owned subsidiary, Drop & Collect Limited, on 15 December 2016 (note 15).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Property, plant and equipment (continued)**

<b>Company</b>	<b>Freehold land &amp; buildings £'000</b>	<b>Leasehold land and buildings £'000</b>	<b>Fixtures, fittings &amp; equipment £'000</b>	<b>Assets under the course of construction £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 July 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
Additions	-	702	2,852	585	-	4,139
Transfers between categories	-	33	559	(592)	-	-
Disposals	-	(678)	(4,411)	-	(229)	(5,318)
At 30 June 2017	689	4,848	63,240	1,028	14,741	84,546
<b>Depreciation</b>						
At 1 July 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
Charge for the year	-	379	8,041	-	2,263	10,683
Disposals	-	(506)	(4,117)	-	(190)	(4,813)
Impairment losses	-	-	24	-	-	24
Reversal of impairment	-	-	(118)	-	-	(118)
At 30 June 2017	-	1,327	30,703	-	10,487	42,517
<b>Net book value</b>						
At 30 June 2017	689	3,521	32,537	1,028	4,254	42,029
At 30 June 2016	689	3,337	37,367	1,035	6,556	48,984

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Property, plant and equipment (continued)**

The Group and Company 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 £6.8m (2016: £11.1m). Depreciation charged on finance leased assets in the year was £4.3m (2016: £4.2m).

During the financial year there was an impairment charge of £0.02m (2016: £0.1m). 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 (2016: £0.1m) for assets that had been impaired and then subsequently disposed of.

**15. Fixed asset investments**

	Group £'000	Company £'000
<b>Investment in subsidiaries</b>		
At 1 July 2015	-	-
<b>Investment in joint ventures</b>		
At 1 July 2015	2,169	5,990
Share of retained loss	(1,381)	-
At 30 June 2016	788	5,990
Share of retained profit of joint venture	937	-
Step acquisition of joint venture as subsidiary	(1,725)	(5,990)
At 30 June 2017	-	-
<b>Total fixed asset investments</b>	-	-

**Joint Venture**

On 15 December 2016, Yodel Delivery Network Limited entered into an arrangement with PayPoint Plc regarding its investment in Drop & Collect Limited. The arrangement included the formation of the Collect+ Group consisting of Collect+ Holdings Limited, held 50:50 by Yodel Delivery Network Limited and PayPoint Plc and its wholly owned subsidiary Collect+ Brand Limited. Yodel Delivery Network Limited and PayPoint Plc sold their respective investments in Drop & Collect Limited to Collect+ Holdings Limited. The Collect+ brand was transferred from Drop & Collect Limited to Collect+ Brand Limited. Drop & Collect Limited was then purchased by Yodel Delivery Network Limited. This resulted in Yodel Delivery Network Limited and PayPoint plc retaining 50% share each of the Collect+ brand and Yodel Delivery Network Limited acquiring 100% of the remaining operations and assets of Drop & Collect Limited. The results of Drop & Collect Limited were accounted for using the equity method up to 15 December 2016 and then have been fully consolidated from the date of acquisition as a subsidiary. This acquisition of Drop & Collect Limited has resulted in a gain on a bargain purchase of £1.7m which has been presented separately in the Income Statement before operating profit.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. Fixed asset investments (continued)**

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	<b>£'000</b>
Carrying value of previously held equity	1,725
Less: Fair value of net assets acquired:	
Property, plant and equipment	25
Intangible assets	601
Trade debtors	10,520
Prepayments	109
Cash	3,069
Financial liabilities	(10,874)
	<hr/>
Total identifiable assets	3,450
	<hr/>
Gain on bargain purchase	1,725
	<hr/>
Net cash inflow arising on acquisition:	
Cash consideration	-
Less: cash and cash equivalent balances acquired	3,069
	<hr/>
	3,069
	<hr/>

Drop & Collect Limited contributed £16.6m revenue and £2.6m to the Group's results for the period between the date of acquisition and the Statement of Financial Position date.

If the acquisition had been completed on the first day of the financial year, Group revenue for the period would have been £449.4m and the Group loss would have been £56.0m.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Fixed asset investments (continued)

#### Joint operation

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

The only source of revenue for the Collect+ Group is the royalty income received from licencing the brand to Drop & Collect Limited for the period to 30 June 2017. The Group's share of £0.6m has been included in revenue and there were no operating costs incurred by the arrangement.

The Company had the following subsidiary and joint venture undertakings at 30 June 2017:

#### Directly owned:

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

#### Indirectly owned:

Collect+ Brand Limited	England and Wales	Ordinary	50%	Holder of Collect+ brand
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The registered address of all wholly owned subsidiary undertakings is 2nd Floor, Atlantic Pavilion, Albert Dock, Liverpool, L3 4AE.

The financial statements of Collect+ Holdings Limited and Collect+ Brand Limited will be drawn up to 31 March 2018. Their principal place of business is the United Kingdom. The registered address of Collect+ Holdings Limited and Collect+ Brand Limited is 20-22 Wenlock Road, London, United Kingdom, N1 7GU.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. Inventories**

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
Consumables	1,380	1,180	1,380	1,180

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

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

**17. Trade and other receivables**

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
<b>Amounts falling due within one year:</b>				
Trade receivables	42,885	39,861	38,309	39,861
Allowance for doubtful debts	(3,144)	(2,519)	(3,095)	(2,519)
	39,741	37,342	35,214	37,342
Amounts due from Group undertakings	43,469	38,559	43,465	38,560
Prepayments and accrued income	7,579	11,437	7,120	11,437
Other receivables	629	532	593	532
	91,418	87,870	86,392	87,871

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 47 (2016: 40) 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 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Balance at 1 July	2,519	2,454	2,519	2,454
Increase in provision	1,819	826	1,770	826
Amounts utilised during the year	(1,194)	(761)	(1,194)	(761)
Balance at 30 June	3,144	2,519	3,095	2,519
	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
Ageing of past due but not impaired receivables 30-180 days	10,047	6,831	9,856	6,831

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 35% of trade receivables as at 30 June 2017 (2016: 34%).

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £474k (2016: £364k) 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**

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
<b>Unsecured borrowings at amortised cost</b>				
Bank balance	-	986	-	986
<b>Secured borrowings at amortised cost</b>				
Finance lease liabilities	7,573	11,278	7,573	11,278
<b>Total borrowings</b>	<b>7,573</b>	<b>12,264</b>	<b>7,573</b>	<b>12,264</b>
<b>Amounts due for settlement within 12 months:</b>				
Bank balance (note 20)	-	986	-	986
Finance leases (note 19)	3,373	3,708	3,373	3,708
	<b>3,373</b>	<b>4,694</b>	<b>3,373</b>	<b>4,694</b>
<b>Amounts due for settlement after 12 months:</b>				
Finance leases (note 19)	4,200	7,570	4,200	7,570



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. Finance leases**

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
<b>Minimum lease payments</b>				
Within one year	3,648	4,161	3,648	4,161
In the second to fifth year inclusive	4,486	7,630	4,486	7,630
After five years	-	502	-	502
	<u>8,134</u>	<u>12,293</u>	<u>8,134</u>	<u>12,293</u>
 Less: future finance charges	 (561)	 (1,015)	 (561)	 (1,015)
	<u>7,573</u>	<u>11,278</u>	<u>7,573</u>	<u>11,278</u>
 Present value of lease obligations	 <u>7,573</u>	 <u>11,278</u>	 <u>7,573</u>	 <u>11,278</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. Finance leases (continued)**

	<b>Group 2017 £'000</b>	<b>Group 2016 £'000</b>	<b>Company 2017 £'000</b>	<b>Company 2016 £'000</b>
<b>Present value of minimum lease payments</b>				
Within one year	3,373	3,708	3,373	3,708
In the second to fifth year inclusive	4,200	7,072	4,200	7,072
After five years	-	498	-	498
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	7,573	11,278	7,573	11,278
<b>Analysed as:</b>				
Amounts due for settlement within 12 months	3,373	3,708	3,373	3,708
Amounts due for settlement after 12 months	4,200	7,570	4,200	7,570
	<hr/>	<hr/>	<hr/>	<hr/>
	7,573	11,278	7,573	11,278
	<hr/>	<hr/>	<hr/>	<hr/>

It is the Group's policy to lease certain vehicles and other equipment under finance lease. The average lease term is 6.7 years (2016: 6.7 years). For the year ended 30 June 2017 the average effective borrowing rate was 4.6% (2016: 4.6%). 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 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank balance	-	986	-	986
Trade payables	18,192	22,484	16,468	22,484
Amounts owed to Group companies	8,759	5,416	18,333	10,556
Other creditors	3,523	3,247	4,127	3,247
Social security and other taxes	7,300	7,476	6,425	7,476
Accruals and deferred income	31,534	26,563	29,424	26,563
Finance leases	3,373	3,708	3,373	3,708
	<u>72,681</u>	<u>69,880</u>	<u>78,150</u>	<u>75,020</u>

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 64 (2016: 65) days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

**21. Provisions for liabilities**

	At 1 July 2016 £'000	Charged to the profit and loss account £'000	Utilised during the year £'000	Released to the profit and loss account £'000	At 30 June 2017 £'000
<b>Group and Company</b>					
Rationalisation	862	206	(862)	-	206
Dilapidations	625	1,666	(3)	-	2,288
Vehicle provisions	3,748	4,366	(3,406)	(71)	4,637
Other provisions	5,030	2,862	(3,120)	-	4,772
Onerous contract	1,098	-	(1,098)	-	-
	<u>11,363</u>	<u>9,100</u>	<u>(8,489)</u>	<u>(71)</u>	<u>11,903</u>

There are no provisions held in the subsidiary undertakings or the joint operation.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. Provisions for liabilities (continued)

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 utilised during the year was in relation to a customer contract where the costs of fulfilling the contract are considered to outweigh the benefits of fulfilling the contract.

### 22. Deferred taxation asset

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

	2017 £'000	2016 £'000
<b>Group</b>		
Fixed asset timing differences	21,835	21,357
Short term timing differences	2,723	3,095
Capital losses	255	-
Trading losses	42,018	48,541
	<hr/>	<hr/>
<b>Deferred tax asset</b>	66,831	72,993
Deferred tax asset not recognised	(66,831)	(72,993)
	<hr/>	<hr/>
<b>Deferred tax asset recognised</b>	-	-
	<hr/>	<hr/>

At 30 June 2017 deferred tax assets of £66.8m (2016: £73.0m) 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

	2017 £'000	2016 £'000
<b>Group and Company</b>		
<b>Allotted, called-up and fully paid:</b>		
760,000,000 (2016: 693,000,000) Ordinary shares of £1 each	760,000	693,000
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23. Called-up share capital (continued)**

On 26 June 2017 the Company allotted 67,000,000 (2016: 65,000,000) ordinary shares with an aggregate nominal value of £67,000,000 (2016: £65,000,000). The shares were issued at par and have been fully paid.

**24. Reserves**

	<b>Retained earnings £'000</b>
<b>Group</b>	
At 1 July 2015	(538,707)
Loss for the financial year	(50,438)
Remeasurement of net defined benefit liability	(646)
	<hr/>
At 30 June 2016	(589,791)
Loss for the financial year	(80,481)
Remeasurement of net defined benefit liability	3,746
	<hr/>
At 30 June 2017	(666,526)
	<hr/>
<b>Company</b>	
At 1 July 2015	(475,916)
Loss for the financial year	(49,057)
Remeasurement of net defined benefit liability	(646)
	<hr/>
At 30 June 2016	(525,619)
Loss for the financial year	(92,412)
Remeasurement of net defined benefit liability	3,746
	<hr/>
At 30 June 2017	(614,285)
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25. Notes to the cash flow statement**

**Reconciliation of operating loss to cash flows from operating activities**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating loss for the financial year	(81,910)	(49,439)	(93,842)	(48,059)
Adjusted for:				
Share of joint venture (profit)/ loss	(937)	1,381	-	-
Gain on bargain purchase	(1,725)	-	-	-
Write off of investment (note 15)	-	-	5,990	-
Impairment of goodwill	20,600	-	20,600	-
Impairment loss on property, plant and equipment	24	120	24	120
Impairment reversal on property, plant and equipment	(118)	(127)	(118)	(127)
Depreciation of property, plant and equipment	10,706	11,602	10,683	11,602
Amortisation of intangible assets	6,393	8,043	6,223	8,043
Loss on disposal of property, plant and equipment	489	1,052	489	1,052
Loss on disposal of intangible assets	4	47	4	47
Operating cash flow before movement in working capital	(46,474)	(27,321)	(49,947)	(27,322)
(Increase)/ decrease in inventories	(200)	103	(200)	103
Decrease in receivables	7,066	(9,391)	1,465	(9,390)
(Decrease)/ increase in payables	(9,185)	(14,680)	2,016	(14,680)
Increase in provisions	540	2,616	540	2,616
Operating cash flow	(48,253)	(48,673)	(46,126)	(48,673)
Tax received	2,000	-	2,000	-
Cash used in operations	(46,253)	(48,673)	(44,126)	(48,673)
<b>Cash and cash equivalents</b>				
Cash and bank balances	1,839	-	1,049	-
Bank overdrafts	-	(986)	-	(986)
	1,839	(986)	1,049	(986)

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**

	<b>Vehicles</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	7,008	9,943
In the second to fifth years inclusive	<u>5,039</u>	<u>9,424</u>

	<b>Properties</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	14,609	14,806
In the second to fifth years inclusive	37,388	50,190
After five years	<u>41,612</u>	<u>48,858</u>

**Company**

	<b>Vehicles</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	7,008	9,943
In the second to fifth years inclusive	<u>5,039</u>	<u>9,424</u>

	<b>Properties</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	14,499	14,806
In the second to fifth years inclusive	37,332	50,190
After five years	<u>41,612</u>	<u>48,858</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties with an average lease term of 10.6 years (2016: 12.2 years) and other items of equipment with an average lease term of 3.5 years (2016: 3.5 years).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**27. Retirement benefit schemes**

**Defined contribution scheme**

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

Contributions to the defined contribution schemes are also charged to the Income Statement. The total cost of the contributions to all the schemes within these accounts amounted to £3.0m (2016: £3.3m). At 30 June 2017 there were pension contributions payable of £0.5m (2016: £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.
- 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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. Retirement benefit schemes (continued)

#### 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% (2016: 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:

	2017	2016
Rate of increase in pensionable salaries	2.1%	3.2%
Rate of increase in pensions in payment if RPI 5%	3.0%	2.6%
Rate of increase in pensions in payment if RPI 2.5%	2.1%	2.0%
Discount rate	2.6%	2.9%
Rate of increases in pensions in deferment	2.1%	1.7%
RPI inflation assumption	3.1%	2.7%
CPI inflation assumption	2.1%	1.7%

#### 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	
	2017 Years	2016 Years	2017 Years	2016 Years	2017 Years	2016 Years	2017 Years	2016 Years
Scheme	22.1	22.1	23.9	23.9	23.3	23.3	23.3	25.6
Plan	23.9	23.9	26.1	26.1	25.9	25.9	25.9	28.3
UURBS	22.1	22.1	23.9	23.9	23.3	23.3	23.3	25.6

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. Retirement benefit schemes (continued)

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

	Scheme and Plan £'m	2017 Ex-gratia and UURBS £'m	Total £'m	Scheme and Plan £'m	2016 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)	(0.1)	(0.1)	(0.2)	(0.3)	(0.1)	(0.4)
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.1)	(0.3)	(0.4)	(0.1)	(0.5)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**27. Retirement benefit schemes (continued)**

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

	<b>Scheme and Plan</b>	<b>2017 Ex-gratia and UURBS</b>	<b>Total</b>	<b>Scheme and Plan</b>	<b>2016 Ex-gratia and UURBS</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
The return on plan assets (excluding amounts included in net interest expense)	1.5	-	1.5	38.8	-	38.8
Actuarial losses	(34.9)	0.1	(34.8)	(6.9)	-	(6.9)
Adjustments for restrictions on the defined benefit asset	37.0	-	37.0	(32.5)	-	(32.5)
Remeasurement of the net defined benefit liability	3.6	0.1	3.7	(0.6)	-	(0.6)
Present value of defined benefit obligations	(100.4)	(1.3)	(101.7)	(200.0)	(1.3)	(201.3)
Fair value of plan assets	125.6	-	125.6	256.6	-	256.6
Funded status	25.2	(1.3)	23.9	56.6	(1.3)	55.3
Restrictions on asset recognised	(25.2)	-	(25.2)	(56.6)	-	(56.6)
IFRIC 14 liability	(5.6)	-	(5.6)	(10.4)	-	(10.4)
Net liability arising from defined benefit	(5.6)	(1.3)	(6.9)	(10.4)	(1.3)	(11.7)

obligation

## 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:

	Scheme and Plan £'m	2017 Ex-gratia and UURBS £'m	Total £'m	Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	Total £'m
Opening defined benefit obligation	(200.0)	(1.3)	(201.3)	(202.3)	(1.2)	(203.5)
Movement in year:						
Interest cost	(2.7)	(0.1)	(2.8)	(7.2)	(0.1)	(7.3)
Actuarial losses	97.2	0.1	97.3	(2.2)	-	(2.2)
Benefits paid	5.1	-	5.1	9.9	-	9.9
Liabilities extinguished on settlements	-	-	-	1.8	-	1.8
Closing defined benefit obligation	(100.4)	(1.3)	(101.7)	(200.0)	(1.3)	(201.3)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. Retirement benefit schemes (continued)

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

	Scheme and Plan £'m	2017 Ex-gratia and UURBS £'m	Total £'m	Scheme and Plan £'m	2016 Ex-gratia and UURBS £'m	Total £'m
Opening fair value of plan assets	256.6	-	256.6	223.9	-	223.9
Movement in year:						
Current service cost	-	-	-	(0.1)	-	(0.1)
Interest income	3.5	-	3.5	8.2	-	8.2
The return on plan assets (excluding amounts included in net interest expense)	1.5	-	1.5	38.8	-	38.8
Actuarial losses	(132.2)	-	(132.2)	(4.8)	-	(4.8)
Contributions from the employer	1.3	-	1.3	2.3	-	2.3
Benefits paid	(5.1)	-	(5.1)	(9.9)	-	(9.9)
Assets distributed on settlements	-	-	-	(1.8)	-	(1.8)
Closing fair value of plan assets	125.6	-	125.6	256.6	-	256.6

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

	2017 £'m	2016 £'m
Cash and equivalents	16.7	12.5
Equity instruments	103.9	89.5
Derivatives	5.0	154.6
Total	125.6	256.6

The actual return on plan assets was £5.1m (2016: £47.0m).

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. Retirement benefit schemes (continued)

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £3.5m (2016: £0.2m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £3.5m (2016: £0.2m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £1.8m (2016: £0.2m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £3.0m (2016: £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 (2016: £1.0m) 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 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
<b>Financial assets</b>				
Cash	1,839	-	1,049	-
Loans and receivables	83,210	75,901	78,679	75,902
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	85,049	75,901	79,728	75,902
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(34,524)	(40,164)	(42,374)	(45,304)
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	(34,524)	(40,164)	(42,374)	(45,304)
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Group 2017 £'000	Group 2016 £'000
<b>Interest income and expense</b>		
Total interest expense for financial liabilities at amortised cost	453	640
	<hr/>	<hr/>

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Littlewoods Clearance Limited	121	152	-	-
Shop Direct Home Shopping Limited	72,981	97,563	4,242	4,163
Shop Direct Financial Services Limited	-	3	2	4
Shop Direct Ireland Limited	8,585	8,261	-	-
Drop & Collect Limited	17,343	25,014	-	124
Arrow XL Limited	1,284	1,971	-	21,599
Yodel Properties Limited	-	-	1,189	976

Transactions with Drop & Collect Limited have been excluded from the date of acquisition as a subsidiary as they now form part of the Yodel Group.

	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Littlewoods Clearance Limited	14	17	-	-
Shop Direct Home Shopping Limited	-	-	(2,979)	(2,146)
Shop Direct Financial Services Limited	-	-	(1)	-
Shop Direct Ireland Limited	738	775	-	-
Shop Direct Holdings Limited	2,133	2,133	-	-
Arrow XL Limited	-	-	(5,765)	(3,257)
Yodel Logistics Limited	40,584	35,638	-	-
Yodel Properties Limited	-	-	(13)	(13)

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

During the year the Company received funding of £67m from its parent company Yodel Logistics Limited (2015: £65m), of which £2.3m was transferred to Group company Arrow XL Limited. Interest charged on this was £nil (2016: £nil).

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**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:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits	2,227	1,805
Post-employment benefits	-	287
Termination benefits	-	932
	<hr/> 2,227	<hr/> 3,024
	<hr/>	<hr/>

**30. Cross-guarantee**

The Company has entered into a bank cross-guarantee with other Group companies. The guarantee amounts to £125.0m at 30 June 2017 (2016: £150.0m) 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. The registered office of Yodel Logistics Limited is Second Floor, Atlantic Pavilion, Albert Dock, Liverpool, L3 4AE.