Registered number: 732993

DPDGROUP UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 JANUARY 2016

COMPANY INFORMATION

Directors	D McDonald DL Adams PM Chavanne C Shiels (resigned 31 March 2016) D Smith (appointed 17 December 2015)
Company secretary	DL Adams
Registered number	732993
Registered office	Roebuck Lane Smethwick West Midlands B66 1BY
Independent auditor	Mazars LLP Chartered Accountants 45 Church Street Birmingham West Midlands B3 2RT

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 3 JANUARY 2016

Introduction

The directors present their Strategic Report for DPDgroup UK Ltd ("the Company") for the year ended 3 January 2016.

The Company provides transport related services, including the collection and delivery of parcels, distribution and logistics management. There have not been any significant changes in the Company's activities in the year under review. The directors are not aware, as at the date of this report, of any likely major changes in the Company's principal activities, subject to the Future Developments section below.

Business review

Strategy

The Company has continued to develop its businesses and the directors are satisfied with the operating results.

The Company has continued to offer excellent levels of service to its customers and the directors believe that it has grown its market share in line with its strategic objectives.

The Company has made plans to continue to grow market share and has put in place strategies and investment programmes to achieve this objective.

The Board believes that the Company is well placed to deliver further growth of revenue and profit from both core products and from further value-added services.

Operational Review

The Company continued to offer a full range of domestic and international, door to door, collection and delivery parcel services. The largest share of revenue continued to come from Next Day parcels, although the Company continued to grow revenue from its premium, international and specialist value-added services.

Growth in outbound international services was faster than that of domestic services and the Company continued to benefit from its group membership of the leading European road based DPD network.

The Company has continued to invest heavily in training programmes for its employees and continues to recognise the outstanding pride and passion of all of its employees and owner driver franchisees.

The Company has continued to develop and build upon its industry leading customer care programmes, to maintain its excellent health and safety standards and to take the utmost care in the safe handling of its customers' parcels.

The Company ended the year in a very strong financial position and the Board believe that this position, coupled with the strength of its parent La Poste (The French Post Office), puts it in a market leading position for future development.

DPD Pickup

In 2015 the Company introduced the DPD Pickup service in the United Kingdom. This allows parcel recipients to choose at the point of sale to have their parcel delivered to their nearest DPD Pickup point. Customers can choose an "in-flight" option via text, email notifications or the DPD App (see below), from which the delivery can be diverted to a retail outlet. Customers can also manage their returns via Pickup. DPD continues to innovate and with many online shoppers used to click-and-collect as a delivery option, DPD has given retailers another great option for its customers.

DPD App

In 2016 the Company launched Your DPD, a free to download application giving customers more convenience and more control over their parcel deliveries. With the new app, customers can create their own profile, set their delivery preferences and track deliveries allowing them to fully create their own parcel plan for the first time. The introduction of this app, along with other unique services such as Predict and Follow My Parcel, has allowed the Company to offer its best ever service to its customers and further differentiate itself from other parcel carriers in the UK market.

Award Winning

Operational
DPD won the prestigious Queens' Award for Enterprise in 2015 in the innovation category for its unique 1-hour delivery service – Predict.

At the 2016 Motor Transport Awards, DPD won the coveted Training Award and also retained the Customer Care and Business Excellence Awards, in recognition of creating a customer-centric culture for both shippers and parcel receivers via its Predict and Follow My Parcel services.

Independent accreditation was also received from the Digital Retail Innovations report that canvassed opinion from specialists across the Retail Sector and announced DPD's Predict and Follow My Parcel as being amongst the top innovations for 2014.

In addition DPD received a special award from the Which Group for providing the best customer care and for driving change in the sector after it achieved a "huge" customer satisfaction score.

Health and Safety
DPD was awarded the RoSPA Gold Health and Safety Award in 2016 and achieved the President's Award for achieving 10 consecutive Golds in Health and Safety.

Customer Centricity
DPD was named in the Sunday Times Top 25 Best Big Companies to Work For in February 2016, ranking 22nd at the first time of asking with special praise for the Company's values and approach to customer centricity.
DPD also topped both the Which? and MoneySavingExpert customer satisfaction polls for the third year running.

Investment for growth

DPD's £100m investment in a new Hub facility at Hinckley in Leicestershire became fully operational in August 2015, and is the largest Hub in Europe extending DPD's capacity by an additional 65%. The Company continues to invest in its nationwide network of delivery and collection depots and from 2016 will invest in larger depot sites (Distribution Centres) to ensure it has the required capacity to meet customer demands.

The Company's unique Follow My Parcel service was further enhanced in 2015 to provide more choice for customers giving them access to a range of 'in-flight' delivery options the evening before delivery. Voted one of the top retail innovations of 2014, it enables customers to plan ahead or change delivery details. Customers then receive advanced notification of their exact one hour delivery time slot and can track their delivery using a unique mapping tool all the way to their front door.

Future Developments

In 2016 the Company's subsidiary Interlink Express Parcels Limited announced its intention to buy-back franchisee operating area rights over the next ten years. This will enable the business to have the required capacity to meet continuing demand.

Principal risks and uncertainties

The Board recognises that the future success of the Company is subject to a number of risks. In the opinion of the Board, the key risks to the business are as follows:

The Economy and Competitor Activity

The Company's future growth projections include an assumption of economic growth (based on independent information), however the Board recognises that this element of growth is a risk. The Board is confident however that its strategies for profitable growth, aided by its strategic and operating investments, mitigate the risk of an economic downturn as much as possible.

The Company believes the recent vote for the United Kingdom to leave the European Union will not pose a significant risk to its growth projections or strategies and it will continue to monitor economic growth.

Fuel Prices

A significant proportion of the Company's cost base is fuel price dependent. It is normal industry practice to pass on the impact of increased fuel prices to customers, through fuel surcharges.

Business Interruption

The Board recognise that it is at risk from the loss of an IT system or a key operational facility. The Company has a specific Business Interruption policy which is reviewed and updated regularly. The Business Interruption policy contains continuity plans which the Board believe minimise the risk to the Company.

Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk, the effects of foreign currency, exchange rates and interest rates. The Company's overall risk management policy focuses on monitoring potential adverse effects where considered material. The Company may use derivative financial instruments, such as forward contracts, to hedge against certain future exposures.

Interest rate risk

The Company's activities expose it to interest rate risk. To mitigate this risk the Company utilises a group facility. The Company's facility with DPDgroup is deemed payable on demand regardless of the maturity profile of loans that have been taken under this facility.

Liquidity risk

The Company's liquidity position is reviewed on a daily basis for short term liquidity risk and on a monthly basis for long term liquidity risk. The ultimate parent La Poste continues to make funding available for the Company's operations and as such the Company's exposure to liquidity risk is minimal.

Foreign currency exchange risk

The Company's principal foreign currency exposures arise from overseas purchases of goods and services. The Company has not hedged against these transactions through the use of forward exchange contracts as the volume of purchases and volatility in currency rates has not warranted this. However, the Company keeps movements on exchange rates under close review and will use forward contracts when deemed necessary.

Credit risk

The Company offers credit facilities to its customers and the Board recognises that there is an associated recovery risk to manage. The Board is satisfied that the Company has in place robust credit risk management procedures to minimise this risk. As a result of the high volume of customers catered for by the Company, the Board is satisfied that there is no undue concentration of debt risk. This spread of sales ledger debt limits the overall Group exposure.

Financial key performance indicators

The Company manages everything that is important to its customers and to its financial performance through a series of Key Performance Indicators (KPIs). Using a decentralised management approach wherever possible, KPIs may be measured at both a depot and Company level.

The KPIs used within the Company include:

- On-time delivery service levels; 100% of key service level targets were achieved during the year under review.

- Operational unit costs; the KPIs on operational unit costs are managed actively by the business and it continuously seeks to improve delivery stop density, which is a key driver in managing operational unit cost. Due to the sensitive nature of these KPIs, information on these is not provided.

- Day's sales outstanding; these were 35 days (2014: 34 days).

- Turnover; increasing 16% to £700m (2014: £605m).

- Operating profit; increasing 23% to £95m (2014: £77m).

- Profit before tax; increasing 43% to £125m (2014: £88m).

This report was approved by the board on 29 September 2016 and signed on its behalf.

DL Adams
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 3 JANUARY 2016

The Directors present their report and the financial statements for the year ended 3 January 2016.

Results and dividends

The profit for the year, after taxation, amounted to £106,591,000 (2014: £71,460,000).

Dividends of £2.49 per ordinary share (2014: £1.51) amounting to £99,040,000 (2014: £60,000,000) were paid in the year.

Directors

The Directors who served during the year and to the date of this report were:

D McDonald
DL Adams
PM Chavanne
C Shiels (resigned 31 March 2016)
D Smith (appointed 17 December 2015)

Directors' and Officers' liability insurance cover is maintained by the ultimate holding company.

Company's policy for payment of creditors

Terms and conditions are agreed with suppliers in advance. Payment is then made in accordance with the agreement, providing the supplier has met the terms and conditions.

Employee involvement

It is Company policy to endeavour to maintain close links with the whole of the work force. The Company communicates with its employees by means of notice boards, newsletters and various other channels.

The Company provides employees with information on matters of concern to them as employees by means of formal and informal meetings and briefings. When decisions are taken affecting the interests of employees, individuals or their representatives are consulted in order to take their views into account.

Disabled employees

The Company gives due consideration to applications for employment by disabled persons and encourages the career development of such persons, as it is able to employ. In the event of an employee becoming disabled whilst in service with the Company, every effort is made to the continuation of their employment, by transferring to alternative duties, where required and providing appropriate re-training programmes.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 3 JANUARY 2016

Auditors

Following the year end there has been a re-allocation of external audit responsibilities within the Group and as a result of this KPMG will be appointed as auditor for the year ending 1 January 2017.

This report was approved by the board on 29 September 2016 and signed on its behalf.

DL Adams
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 3 JANUARY 2016

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DPDGROUP UK LTD

We have audited the financial statements of DPDgroup UK Ltd for the year ended 3 January 2016, which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DPDGROUP UK LTD (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Paul Lucas (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
West Midlands
B3 2RT

13 October 2016

INCOME STATEMENT
FOR THE YEAR ENDED 3 JANUARY 2016

	Note	3 January 2016 £000	4 January 2015 £000
Turnover - existing operations	4	700,246	605,432
External charges		(387,050)	(333,618)
Staff costs	7	(202,243)	(182,023)
Depreciation and amortisation		(15,846)	(12,944)
Operating profit	5	95,107	76,847
Income from fixed asset investments	9	33,040	17,481
Amounts written off investments	16	-	(4,050)
Interest receivable and similar income	10	30	42
Interest payable and similar charges	11	(3,239)	(2,760)
Profit before tax		124,938	87,560
Tax on profit on ordinary activities	12	(18,347)	(16,100)
Profit for the financial year		106,591	71,460

The notes on pages 16 to 46 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 3 JANUARY 2016

	Note	3 January 2016 £000	4 January 2015 £000
Profit for the financial year		106,591	71,460
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit pension scheme		1,065	(3,963)
		1,065	(3,963)
Tax relating to components of other comprehensive income		(192)	753
Other comprehensive income net of tax		873	(3,210)
Total comprehensive income for the year		107,464	68,250

The notes on pages 16 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 3 JANUARY 2016

	Note	3 January 2016 £000	4 January 2015 £000
Non-current assets			
Intangible assets	14	462	509
Tangible fixed assets	15	179,953	196,272
Fixed asset investments	16	80,986	80,236
Deferred tax assets	23	7,035	6,768
		268,436	283,785
Current assets			
Inventory	17	3,080	2,135
Debtors: amounts falling due within one year	18	120,250	108,464
Cash and cash equivalents	19	9,664	2,532
		132,994	113,131
Creditors: amounts falling due within one year	20	(282,916)	(282,255)
Net current liabilities		(149,922)	(169,124)
Total assets less current liabilities		118,514	114,661
Creditors: amounts falling due after more than one year	21	(5,800)	(7,803)
		112,714	106,858
Pension liability	27	(42,707)	(45,275)
Net assets		70,007	61,583

The notes on pages 16 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)
AS AT 3 JANUARY 2016

	Note	3 January 2016 £000	4 January 2015 £000
Capital and reserves			
Called up share capital	24	39,745	39,745
Share premium account	25	119	119
Profit and loss account	25	30,143	21,719
		70,007	61,583

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2016.

D McDonald
Director

DL Adams
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 3 JANUARY 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 5 January 2015	39,745	119	21,719	61,583
Comprehensive income for the year				
Profit for the year	-	-	106,591	106,591
Other comprehensive income	-	-	873	873
Total comprehensive income for the year	-	-	107,464	107,464
Dividends: Equity capital	-	-	(99,040)	(99,040)
At 3 January 2016	39,745	119	30,143	70,007

The notes on pages 16 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 4 JANUARY 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 30 December 2013	39,745	119	13,469	53,333
Comprehensive income for the year				
Profit for the year	-	-	71,460	71,460
Other comprehensive income	-	-	(3,210)	(3,210)
Total comprehensive income for the year	-	-	68,250	68,250
Dividends: Equity capital	-	-	(60,000)	(60,000)
At 4 January 2015	39,745	119	21,719	61,583

The notes on pages 16 to 46 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JANUARY 2016

1. Corporate information

DPDgroup UK Ltd is a company incorporated in the United Kingdom. The registered address of the Company is given on the company information page. The principal operations of the Company are included in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

This is the first year the Company has prepared its financial statements in accordance with FRS 101, accordingly the financial information as at 30 December 2013 (being the date of transition) and for the year ended 4 January 2015 have been restated to comply with FRS 101.

UK Generally Accepted Accounting Practices ("UK GAAP") differs in certain respects from FRS 101, hence when preparing these financial statements, management has amended certain accounting and measurement bases to comply with FRS 101. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' ("IFRS 1") concerning the transition, are given in note 32.

The transitional disclosure exemptions applied can be found on page 17.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

Amendments to FRS 101

In July 2015, amendments were made to FRS 101 as a consequence of changes made to EU-adopted IFRSs and to maintain consistency with Company law. The Company has adopted these amendments early as permitted by the standard. The amendments applied are detailed as follows:

(i) The amendments to paragraphs 5, 7A and 8(j) of the standard arising from the 2014/2015 cycle allows the Company to take advantage of the exemption from the requirement to present an opening statement of financial position at the date of transition and the requirement to disclose key management personnel compensation.

2. Accounting policies (continued)

Basis of preparation of financial statements (continued)

(ii) The amendments to *The Companies, Partnerships and Groups (accounts and Reports) Regulations 2015(SI 2015/980)* which permits a qualifying entity choosing to apply 1A(1) and 1A(2) of Schedule 1 to *The Large and Medium-sized Companies and Groups (Accounts and Report) (SI 2008/410)* the option to apply the relevant presentation requirements of IAS 1 *Presentation of Financial Statements.*

Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by La Poste, the ultimate parent undertaking, incorporated in France and are available from the address set out in note 31. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 paragraph 8:

(i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;

(iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;

(iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));

(v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;

(vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and

(viii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

2. Accounting policies (continued)

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of the group, La Poste, which the Company is consolidated into.

Further, as permitted by FRS 101 paragraph 7A, the Company has not presented an opening Statement of Financial Position at the date of transition.

Functional and presentational currency

The Company's functional currency is Sterling, as this is the currency of the primary economic environment of that which the Company operates. The financial statements are presented in Sterling.

Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

2.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised after collection and despatch of consignments.

2. Accounting policies (continued)

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation on intangible assets is provided on the following basis using a straight line method:

Major software upgrades - 20%
Minor software upgrades - 33%

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 1.25 to 10%
Short-term leasehold property	- term of lease
Plant and machinery	- 10 to 25%
Fixtures and fittings	- 10 to 20%
Office equipment	- 20%
Computer equipment	- 20 to 50%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in Other Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historical cost less impairment.

2. Accounting policies (continued)

2.7 Inventory

Inventory is stated at the lower of cost and net realisable value, on a first in-first out basis, after making allowances for obsolete and slow-moving inventory. Cost includes all direct costs.

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

2.9 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2. Accounting policies (continued)

2.11 Financial instruments

Financial assets carried at amortised cost

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise debtors and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities carried at amortised cost

These financial liabilities include trade creditors and amounts owed to group undertakings only.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2. Accounting policies (continued)

2.12 Leased assets

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

This liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.13 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transition is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit of loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at 3 January 2016 less the fair value of plan assets at that date out of which the obligations are to be settled.

The fair value of plan assets is measured in accordance with IAS 19 and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Other Comprehensive Income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

2.17 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.19 Taxation

Current corporation tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from the Statement of Comprehensive Income in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries and associates a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.20 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

3. Critical accounting judgements and estimation uncertainties

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe the following critical accounting policies are where judgement has been applied.

Recoverability of debtors

In assessing the recoverability of debtors, management estimates the recoverable amount of the balance based on current knowledge of that customer. Estimation uncertainty relates to the assumptions about receipts from that customer.

Recognition of deferred tax assets

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Operating lease commitments

The Company has entered into commercial property, plant and equipment leases. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Company's key sources of estimation uncertainty:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 27.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of property, plant and equipment, and the depreciation accounting policy note above for the useful economic lives for each class of asset.

4. Turnover

An analysis of turnover by class of business is as follows:

	3 January 2016 £000	4 January 2015 £000
Parcel distribution and related services	700,246	605,432
	700,246	605,432

In the opinion of the directors, the Company has not supplied markets that differ substantially from each other.

5. Operating profit

The operating profit is stated after charging / (crediting):

	3 January 2016 £000	4 January 2015 £000
Depreciation of tangible fixed assets	15,462	12,378
Amortisation of intangible assets, including goodwill	384	566
Loss on disposal of tangible fixed assets	64	106
Exchange gains	(479)	(333)
Defined contribution pension cost	3,298	3,219
Defined benefit pension cost	2,116	2,140
Operating lease payments for hire of plant and equipment	39,135	32,012

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	3 January 2016 £000	4 January 2015 £000
Fees for the audit of the Company	97	117
Fees for tax compliance services	28	28
Other services	13	6
	138	151

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	3 January 2016 £000	4 January 2015 £000
Wages and salaries	181,144	162,617
Social security costs	15,685	14,047
Cost of defined benefit pension scheme	2,116	2,140
Cost of defined contribution pension scheme	3,298	3,219
	202,243	182,023

The average monthly number of employees, including the Directors, during the year was as follows:

	3 January 2016 No.	4 January 2015 No.
Administration, sales and supervision	1,469	1,350
Operational	4,367	4,072
	5,836	5,422

8. Directors' remuneration

	3 January 2016 £000	4 January 2015 £000
Directors' emoluments	1,889	1,687
Pension contributions	21	25
	1,910	1,712

During the year retirement benefits were accruing to no Directors (2014: none) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 Director (2014: 2) in respect of defined benefit pension schemes.

There are two further directors' who are deferred members of the defined benefit scheme (2014: 1).

The highest paid Director received remuneration of £787,758 (2014: £851,432).

The highest paid Director is a deferred member of the defined benefit scheme and accordingly has not accrued any benefit in 2015.

9. Income from investments

	3 January 2016 £000	4 January 2015 £000
Dividends received from unlisted investments	33,040	17,481
	33,040	17,481

10. Interest receivable and finance income

	3 January 2016 £000	4 January 2015 £000
Other interest receivable	30	42
	30	42

11. Interest payable and similar charges

	3 January 2016 £000	4 January 2015 £000
Loans from group undertakings	315	216
Other loan interest payable	1,299	556
Finance leases and hire purchase contracts	211	305
Interest on pension scheme liabilities	1,414	1,683
	3,239	2,760

12. Taxation

	3 January 2016 £000	4 January 2015 £000
Current tax on profits for the year	18,806	14,659
Total current tax	18,806	14,659

12. Taxation (continued)

	3 January 2016 £000	4 January 2015 £000
Origination and reversal of temporary differences	(459)	1,441
Total deferred tax	(459)	1,441
Taxation on profit on ordinary activities	18,347	16,100

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	3 January 2016 £000	4 January 2015 £000
Profit on ordinary activities before tax	124,938	87,560
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2015 - 21.5%)	25,300	18,825
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	299	723
Loss on disposal of fixed assets	13	23
Impairment of fixed asset investments not deductible for tax purposes	-	870
Other differences	(267)	(121)
Dividends from UK companies	(6,691)	(3,758)
Pension payment tax relief	(307)	(462)
Total tax charge for the year	18,347	16,100

Factors that may affect future tax charges

The Company is not aware of any factors that may affect future tax charges other than the change in corporation tax rates.

13. Dividends

	3 January 2016 £000	4 January 2015 £000
Dividends paid on ordinary share capital	99,040	60,000
	99,040	60,000

Dividends of £2.49 per ordinary share (2014: £1.51) were paid in the year.

14. Intangible assets

	Computer Software £000
Cost	
At 5 January 2015	4,567
Additions	337
Disposals	(664)
At 3 January 2016	4,240
Amortisation	
At 5 January 2015	4,058
Charge for the year	384
On disposals	(664)
At 3 January 2016	3,778
Net book value	
At 3 January 2016	462
At 4 January 2015	509

15. Tangible fixed assets

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000
Cost					
At 5 January 2015	83,513	16,054	41,780	14,055	11,145
Additions	466	714	2,705	1,474	1,158
Sale and leaseback	-	-	-	-	-
Disposals	(8)	-	(192)	(2,223)	-
Transfers between classes	49,452	3,593	2,361	-	4,458
At 3 January 2016	133,423	20,361	46,654	13,306	16,761
Depreciation					
At 5 January 2015	9,035	7,856	32,238	8,941	4,133
Charge for the year	3,539	2,125	2,304	659	2,394
Disposals	(6)	-	(192)	(1,659)	-
At 3 January 2016	12,568	9,981	34,350	7,941	6,527
Net book value					
At 3 January 2016	120,855	10,380	12,304	5,365	10,234
At 4 January 2015	74,478	8,198	9,542	5,114	7,012

Assets held under finance leases and capitalised in motor vehicles;

	3 January 2016 £000	4 January 2015 £000
Net book value	2,634	3,583
	2,634	3,583

15. Tangible fixed assets (continued)

	Computer equipment £000	Assets under construction £000	Total £000
Cost			
At 5 January 2015	23,476	81,787	271,810
Additions	5,210	19,073	30,800
Sale and leaseback	-	(30,974)	(30,974)
Disposals	(1,126)	-	(3,549)
Transfers between classes	-	(59,864)	-
At 3 January 2016	27,560	10,022	268,087
Depreciation			
At 5 January 2015	13,335	-	75,538
Charge for the year	4,441	-	15,462
Disposals	(1,009)	-	(2,866)
At 3 January 2016	16,767	-	88,134
Net book value			
At 3 January 2016	10,793	10,022	179,953
At 4 January 2015	10,141	81,787	196,272

16. Fixed asset investments

	Investments in subsidiary companies	Unlisted investments	Total
	£000	£000	£000
Cost			
At 5 January 2015	84,286	-	84,286
Additions	-	750	750
At 3 January 2016	84,286	750	85,036
Provision for impairment			
At 5 January 2015 and 3 January 2016	4,050	-	4,050
Net book value			
At 3 January 2016	80,236	750	80,986
At 4 January 2015	80,236	-	80,236

During the year ended 3 January 2016 DPDgroup UK Ltd invested £750,000 in an 11% stake in Mpie Limited. Mpie Limited provides software solutions for logistics and transportation companies to manage their vehicles and power their operations.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Interlink Express Plc (1)	United Kingdom	Ordinary	100 %	Sub-holding company
DPD Local UK Ltd (formerly UK Letter Limited) (1)	United Kingdom	Ordinary	100 %	Dormant
Dynamic Parcel Distribution Limited (1)	United Kingdom	Ordinary	100 %	Dormant
DPD (UK) Limited (1)	United Kingdom	Ordinary	100 %	Dormant
GeoPost Ireland Limited (1)	Ireland	Ordinary	100 %	Dormant
Mail Plus Limited (1)	United Kingdom	Ordinary	100 %	Dormant
Interlink Express Parcels Limited (2)	United Kingdom	Ordinary	100 %	Transport related services
Interlink Ireland Limited (3)	Ireland	Ordinary Redeemable Preference	100 %	Transport related services
Dynamic Parcel Distribution Limited (4)	Ireland	Ordinary	100 %	Dormant
wnDirect Limited (1)	United Kingdom	Ordinary	83 %	Transport related services
wnTPC Limited (5)	United kingdom	Ordinary	60 %	Transport related services
Castlegate 555 Limited (1)	United Kingdom	Ordinary	100 %	Waste pumping services
GeoPost UK Limited (1)	United Kingdom	Ordinary	100 %	Dormant

16. Fixed asset investments (continued)

(1) Subsidiaries of DPDgroup UK Ltd
(2) Subsidiaries of Interlink Express Plc
(3) Subsidiaries of GeoPost Ireland Limited
(4) Subsidiaries of Interlink Ireland Limited
(5) Subsidiaries of wnDirect Limited

Investments in dormant subsidiaries were impaired by £4,050,000 in the year ended 4 January 2015.

17. Inventory

	3 January 2016 £000	4 January 2015 £000
Fuel	963	959
Engineering stock	2,116	1,176
	3,080	2,135

18. Debtors

Debtors: amounts falling due within one year	3 January 2016 £000	4 January 2015 £000
Trade debtors	97,647	84,484
Amounts owed by group undertakings	444	445
Other debtors	86	100
Prepayments and accrued income	22,073	23,435
	120,250	108,464

19. Cash and cash equivalents

	3 January 2016 £000	4 January 2015 £000
Cash at bank and in hand	9,664	2,532
	9,664	2,532

20. Creditors: amounts falling due within one year

	3 January 2016 £000	4 January 2015 £000
Trade creditors	71,253	58,260
Amounts owed to group undertakings	150,437	156,972
Corporation tax	10,727	8,341
Taxation and social security	13,816	12,678
Obligations under finance lease and hire purchase contracts (note 22)	2,019	2,107
Other creditors	14,583	12,317
Accruals and deferred income	20,081	31,580
	282,916	282,255

21. Creditors: amounts falling due after more than one year

	3 January 2016 £000	4 January 2015 £000
Net obligations under finance leases and hire purchase contracts (note 22)	-	2,003
Amounts owed to group undertakings	5,800	5,800
	5,800	7,803

Interest is charged at 5.34% on a loan of £5,800,000 with Geopost SA. This loan is repayable in April 2024.

22. Hire purchase and finance leases

Future minimum lease payments for obligations which expire:

	3 January 2016 £000	4 January 2015 £000
Within one year	2,125	2,345
Between 1-2 years	-	2,101
less: finance charges allocated to future periods	(106)	(336)
	2,019	4,110

Obligations under finance lease and hire purchase contracts are secured by the related assets and bear finance charges at rates ranging from 5.82% to 6.58%

The present value of minimum lease payments is analysed as follows:

	3 January 2016 £000	4 January 2015 £000
Within one year	2,019	2,107
Between 1-2 years	-	2,003
	2,019	4,110

23. Deferred taxation

	3 January 2016 £000	4 January 2015 £000
At beginning of year	6,768	7,456
Credit / (charge) to profit or loss	459	(1,441)
(Charge) / credit to other comprehensive income	(192)	753
At end of year	7,035	6,768

23. Deferred taxation (continued)

The net deferred tax asset is made up as follows:

	3 January 2016 £000	4 January 2015 £000
Accelerated capital allowances	401	(721)
Defined benefit pension	7,687	8,601
Revaluation surplus	(1,053)	(1,112)
	7,035	6,768

24. Called up share capital

	3 January 2016 £000	4 January 2015 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
39,744,536 Ordinary shares of £1 each	39,745	39,745

25. Reserves

Share premium

The share premium account amounted to £119,000 as at 3 January 2016 (4 January 2015: £119,000).

Profit and loss account

The profit and loss reserve includes non-distributable reserves of £4,576,000, net of tax, as at 3 January 2016 (4 January 2015: £4,521,000).

26. Capital commitments

At 3 January 2016 the Company had capital commitments as follows:

	3 January 2016 £000	4 January 2015 £000
Contracted for but not provided in these financial statements	8,002	10,660
	8,002	10,660

27. Pension commitments

In the UK, the Group operates a defined benefit scheme, The DPDgroup UK Ltd Pension Scheme, which was closed to new members in April 1999. The Group also operates a number of defined contribution schemes.

The defined benefit scheme is funded by contributions from the employers and the employees. The schemes' assets are held in funds administered by Legal & General, F&C Investments, GMO, Newton and Ruffer and consist mainly of investments in listed companies. The scheme also holds an insurance policy with the Pensions Insurance Corporation.

For pension disclosure purposes, the Company is deemed to be the principal employer for the defined benefit scheme. The contributions are determined by Hymans Robertson LLP, a professionally qualified actuary on the basis of triennial valuations using the projected unit method.

The main assumptions used to determine the defined benefit obligation are disclosed further in this note.

Reconciliation of present value of plan liabilities:

	3 January 2016 £000	4 January 2015 £000
Defined benefit pension scheme obligation		
At the beginning of the year	175,292	158,608
Current service cost	2,116	2,140
Interest cost	5,680	6,551
Actuarial (gains) / losses	(1,649)	13,546
Contributions	469	491
Benefits paid	(6,851)	(6,044)
Liabilities on settlements	(1,337)	-
At the end of the year	173,720	175,292

	3 January 2016 £000	4 January 2015 £000
Defined benefit pension scheme assets		
At the beginning of the year	130,017	116,242
Interest income	4,266	4,868
Contributions	5,379	5,368
Benefits paid	(6,851)	(6,044)
Assets deducted on settlement	(1,214)	-
Actual (loss) / return on assets	(584)	9,583
At the end of the year	131,013	130,017

27. Pension commitments (continued)

Composition of plan assets:

	3 January 2016 £000	4 January 2015 £000
Equities and Insurance contracts	22,092	21,656
Diversified Growth Funds and LDI Funds	108,012	107,935
Cash and cash equivalents	909	426
Total plan assets	131,013	130,017

	3 January 2016 £000	4 January 2015 £000
Fair value of plan assets	131,013	130,017
Present value of plan liabilities	(173,720)	(175,292)
Pension scheme liability	(42,707)	(45,275)

The amounts recognised in profit or loss are as follows:

	3 January 2016 £000	4 January 2015 £000
Current service cost	2,116	2,140
Interest on obligation	5,680	6,551
Interest income on plan assets	(4,266)	(4,868)
Gains on curtailments and settlements	(123)	-
Total amounts charged to the Income Statement	3,407	3,823

The Company expects to contribute £4,942,000 to its defined benefit pension scheme in 2016.

None of the scheme assets are invested in any securities issued by DPDgroup UK Ltd or any property or other assets currently used by DPDgroup UK Ltd.

27. Pension commitments (continued)

	3 January 2016 £000	4 January 2015 £000
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	(584)	9,583
Changes in assumptions underlying the present value of the scheme liabilities	1,649	(13,546)
	1,065	(3,963)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	3 January 2016 %	4 January 2015 %
Discount rate	3.30	3.30
Future salary increases	2.10	2.20
Future pension increases	3.05	2.90
Retail Price Inflation assumption	3.10	3.05
Mortality rates		
- for a male aged 65 now	21.4	21.3
- at 65 for a male aged 50 now	24.0	23.8
- for a female aged 65 now	24.5	24.3
- at 65 for a female member aged 50 now	27.3	27.2

Curtailments and settlements

During the year the defined benefit scheme completed a trivial commutation exercise whereby eligible members with small pensions were offered the option of receiving their benefits as a one-off taxable lump sum instead of a regular income until death. Over 100 members chose the trivial commutation option and they received a trivial commutation lump sum on 1 November 2015.

The defined benefit scheme pays trivial commutation lump sums using assumptions consistent with the scheme's transfer value basis which was reviewed in early 2015. The liabilities calculated on an accounting basis for the members choosing the trivial commutation option are higher than the amount paid as a lump sum. This resulted in a settlement gain being realised for the year ending 3 January 2016 of £123,000.

27. Pension commitments (continued)

Pension sensitivity

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

If the discount rate was 0.1% higher the defined benefit net liability would decrease by £2.7m (2014: £2.9m).

If the discount rate was 0.1% lower the defined benefit net liability would increase by £2.8m (2014: £3.0m).

If the life expectancy increased by one year for both men and women the actuarial valuation of the liability would increase by £5.2m (2014: £5.3m).

If inflation increased by 0.5%, the actuarial valuation of the liability would increase by £10.0m (2014: not available).

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

Contributions

DPDgroup UK Ltd contributed to the defined benefit scheme at the rate of 15.4% of members Pensionable Earnings up to 1st November 2012 and 16.2% thereafter. In addition, annual special contributions are being paid as set out in the Schedule of Contributions dated 3rd April 2006 and 29th June 2009. Special contributions of £3,700,000 were paid on the 30th January 2015.

Grade 1 members contribute at a rate of 7.0% of Pensionable Earnings, Grade 2 members contribute at a rate of 5.0% of Pensionable Earnings and Executive members contribute at a rate of 7.5% of Pensionable Earnings.

Pension risk

The pension benefits that will ultimately be paid to members of the Scheme will depend on the rate of future inflation and longevity of the Scheme's members, amongst other unknowns. The ultimate cost to the Company of paying these benefits, will depend on the long term future investment returns achieved on the Scheme's investments.

To mitigate the risks of the pension scheme the Company works closely with the Trustees to manage the Scheme in a prudent manner. The Company and the Trustees have implemented a number of changes to the Scheme over the past 3 years with the aim of reducing variability in the Scheme's funding level. One such change has been to put in place a programme to de-risk the Scheme's investment strategy by gradually moving the investment in growth assets to less risky assets as the Scheme's funding level improves.

28. Commitments under operating leases

At 3 January 2016 the Company had total future minimum lease payments under non-cancellable operating leases of £433,963,000 (2014: £255,919,000) analysed as follows:

	3 January 2016 £000	4 January 2015 £000
Land and buildings expiring:		
Not later than 1 year	17,444	12,922
Later than 1 year and not later than 5 years	67,879	42,929
Later than 5 years	195,395	104,581
Total	280,718	160,432

	3 January 2016 £000	4 January 2015 £000
Other expiring:		
Not later than 1 year	38,552	28,535
Later than 1 year and not later than 5 years	95,552	60,583
Later than 5 years	19,141	6,369
Total	153,245	95,487

29. Related party transactions

As the Company is a wholly owned subsidiary undertaking, advantage has been taken of the exemption under FRS 101 and balances and transactions with wholly owned entities forming part of the group have not been disclosed.

The Company was invoiced £9,118,223 (2014: £8,561,908) during the year by wnDirect Limited in respect of international parcel delivery services.

At the year end the Company owed £1,181,251 (2014: £1,367,000) to wnDirect Limited.

30. Events after the reporting period

There are no significant events after the year-end that have not been reflected in these financial statements.

31. Ultimate parent undertaking and controlling party

The Company is wholly owned by GeoPost Intermediate Holdings, a company incorporated in the United Kingdom.

The smallest group in which the results of the Company are consolidated is headed by GeoPost SA, a company incorporated in France.

The largest group in which the results of the Company are consolidated is headed by La Poste, the ultimate parent company, a company incorporated in France. The consolidated financial statements of these groups are available to the public and may be obtained from the registered offices as follows:

La Poste,
4 quai du pont du Jour,
92777,
Boulogne-Billancourt,
CEDEX,
France.

32. First time adoption of FRS 101

	Note	As previously stated 30 December 2013 £000	Adjustments 30 December 2013 £000	FRS 101 (as restated) 30 December 2013 £000	As previously stated 4 January 2015 £000	Adjustments 4 January 2015 £000	FRS 101 (as restated) 4 January 2015 £000
Non-current assets	1	206,287	6,106	212,393	294,628	(10,843)	283,785
Current assets		95,721	-	95,721	113,130	1	113,131
Creditors: amounts falling due within one year	2	(152,777)	(55,584)	(208,361)	(227,310)	(54,945)	(282,255)
Net current liabilities		(57,056)	(48,127)	(112,640)	(114,180)	(54,944)	(169,124)
Total assets less current liabilities		149,231	(49,478)	99,753	180,448	(65,787)	114,661
Creditors: amounts falling due after more than one year		(59,639)	55,582	(4,057)	(63,385)	55,582	(7,803)
Provisions for liabilities	3	(34,335)	(8,031)	(42,366)	(36,790)	(8,485)	(45,275)
Net assets		55,257	(1,927)	53,330	80,273	(18,690)	61,583
Share capital		39,725	-	39,745	39,745	-	39,745
Share premium		119	-	119	119	-	119
Profit and loss reserves		9,542	3,924	13,466	17,684	4,035	21,719
Revaluation reserves	4	5,851	(5,851)	-	22,275	(22,725)	-
Capital and reserves		55,257	(1,927)	53,330	80,273	(18,690)	61,583

32. First time adoption of FRS 101 (continued)

	Note	As previously stated 4 January 2015 £000	Adjustments 4 January 2015 £000	FRS 101 (as restated) 4 January 2015 £000
Turnover - existing operations		605,432	-	605,432
External charges	7	(334,341)	723	(333 ,618)
Staff costs	5	(181,872)	(151)	(182,023)
Depreciation and amortisation	6	(12,838)	(106)	(12,944)
Operating profit		76,381	466	76,847
Income from other fixed asset investments		17,481	-	17,481
Amounts written off investments		(4,050)	-	(4,050)
Interest receivable and similar income		42	-	42
Interest payable and similar charges	8	(1,698)	(1,062)	(2,760)
Profit before tax		88,156	(596)	87,560
Tax on profit on ordinary activities		(15,978)	(122)	(16,100)
Profit for the financial year		72,178	(718)	71,460
Actuarial loss on defined benefit pension scheme net of tax		(4,036)	826	(3,210)
Total comprehensive income for the year		68,142	108	68,250

Explanation of changes to previously reported profit and equity shown on page 46:

32. First time adoption of FRS 101 (continued)

Statement of Financial Position movements

1. Non-current assets

At 30 December 2013 non-current assets were adjusted upwards by £6,106,000 due to the reclassification of £7,457,000 of deferred tax (this was previously shown netted off the pension liability in creditors) and tangible asset net book values falling by £1,351,000 (as assets were split into components and accumulated depreciated was adjusted to match IFRS components and lifetimes).

At 4 January 2015 non-current assets were adjusted downwards by £10,843,000 as a revaluation gain of £16,153,000, previously reported under UK GAAP, was reversed; depreciation increased by £1,457,000 (as assets were split into components and accumulated depreciation was adjusted to match IFRS components and lifetimes); and due to the reclassification of £6,767,000 of deferred tax (this was previously shown netted off the pension liability in creditors).

2. Creditors

Amounts owed to group undertakings of £55,582,000 have been reclassified from creditors greater than one year to creditors less than one year. Following a review of group arrangements, the directors have concluded that there are no contractual agreements relating to the group loan and which is now deemed repayable on demand. At 4 January 2015 there were further small adjustments of £637,000 relating to creditors.

3. Provisions for liabilities

These increased as the pension liabilities were adjusted to reflect accounting under IAS 19 and also the deferred tax on the liabilities was reclassified to non-current assets.

4. Revaluation reserve

At 30 December 2013 the revaluation reserve of £5,851,000 was reclassified as an undistributable profit and loss reserve (as freehold properties which were revalued under UK GAAP are now reported as deemed cost at the date of transition). At 4 January 2015 an increase in the revaluation reserve of £16,874,000 was reversed.

Income Statement movements

5. Staff costs

These increased by £151,000 due to differences in pension accounting in accordance with IAS 19.

6. Depreciation

Depreciation increased by £106,000 as assets were split by components and depreciated over revised estimated useful lives.

7. Revaluation

Revaluation adjustments of £723,000, taken to profit and loss in 2014 under UK GAAP, were reversed.

8. Interest

Interest payable increased by £1,062,000 due to the recalculation of interest on pension scheme assets and liabilities under IAS 19.