
DPDGROUP UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017



DPDGROUP UK LTD

COMPANY INFORMATION

Directors	D McDonald DL Adams PM Chavanne D Smith
Company secretary	DL Adams
Registered number	732993
Registered office	Roebuck Lane Smethwick West Midlands B66 1BY
Independent auditor	KPMG LLP Chartered Accountants One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH

DPDGROUP UK LTD

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**STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017**

Introduction

The directors present their Strategic Report for DPDgroup UK Ltd ("the Company") for the year ended 31 December 2017.

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 will continue to place great strategic emphasis on achieving and maintaining the "best customer service" available in the market place.

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

Since the Company introduced the DPD Pickup service in the United Kingdom, it has continued to invest and expand its vast shop network. This service 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.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

DPD App

The Company has continued to grow and develop Your DPD, a free to download application giving customers more convenience and more control over their parcel deliveries. With this newly developed app, customers can create their own profiles, 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 2017 Motor Transport Awards, DPD won the Innovation Award, Home Delivery Operator of the year and also retained the Customer Care Award, in recognition of creating a customer-centric culture for both shippers and parcel receivers via its Predict and Follow My Parcel services.

DPD also 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.

Technological

In 2017 the leadership group of DPD were rewarded with the Tech Pioneer of the Year Award at the Retail Week Tech Awards in recognition for the tech leadership and innovation demonstrated over the past few years. DPD is widely acknowledged as a market leader in innovation, and involved in the creation and development of a series of award winning 'firsts'.

Health and Safety

DPD were recently awarded the RoSPA Gold Health & Safety Award and achieved the President's Award for achieving 10 consecutive Golds in Health and Safety. The Company continues to take health and safety very seriously and will place further emphasis on these areas over the coming periods.

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 the MoneySavingExpert customer satisfaction polls for the fourth year running.

Investment for growth

DPD's £100m investment in a new Hub facility at Hinckley in Leicestershire is now fully operational, and is the largest Hub in Europe extending DPD's capacity to achieve it's long term strategic aspirations.

The Company continues to invest in its nationwide network of delivery and collection depots and it has invested in larger depot sites (Distribution Centres) to ensure it has the required capacity to meet customer demands. The Company will also look to explore and expand its network of depots within all major city centres in the coming years as part of its 'urban logistics' focus.

The Company's unique Follow My Parcel service continues to be further enhanced 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 recent times, 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.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

Future developments

In 2016 the Company's subsidiary DPD Local UK Ltd 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. Further details can be found in the financial statements of DPD Local UK Ltd.

The Company recently announced that it will undergo a review into its self-employed franchise pay scheme and will look to offer its owner driver franchisees a choice between staying self-employed or moving to a new contract where holiday and sick pay will form the new contract.

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. However, the Board is confident 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 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 recognises 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 GeoPost Holdings Limited 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.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 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; key service level targets were achieved during the year.
- 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 33 days (2016: 32 days).
- Turnover; increasing 11% to £895m (2016: £806m).
- Operating profit; increasing 12% to £121m (2016: £108m).
- Profit before tax; increasing 10% to £144m (2016: £131m).

This report was approved by the board on 12 July 2018 and signed on its behalf.



D. Adams
Director

DPDGROUP UK LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the period ended 31 December 2017.

Registered office

The registered office address of DPDgroup UK Ltd is Roebuck Lane, Smethwick, West Midlands, B66 1BY.

Results and dividends

The profit for the period, after taxation, amounted to £120,625,000 (2016: £109,817,000).

Dividends of £2.47 per ordinary share (2016: £2.79) amounting to £98,000,000 (2016: £111,000,000) were paid in the year.

Directors

The Directors who served during the period were:

D McDonald
DL Adams
PM Chavanne
D Smith

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

Political contributions

The Company made no contributions to political parties during the period (2016: £nil).

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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 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 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.

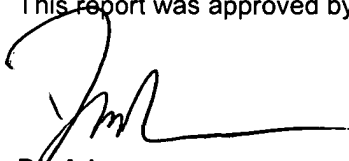
Post balance sheet events

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

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 12 July 2018 and signed on its behalf.



DL Adams
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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;
- assess the Company's ability to continue to as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of DPDgroup UK Ltd (the 'Company') for the period ended 31 December 2017, which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Directors' responsibilities

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, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

DPDGROUP UK LTD

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

Fiona Forster

Fiona Forster (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

19 July 2018

DPDGROUP UK LTD

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	31 December 2017 £000	1 January 2017 £000
Turnover	4	894,717	806,161
Cost of sales	7	(773,819)	(698,432)
Operating profit	5	<u>120,898</u>	<u>107,729</u>
Income from other fixed asset investments	9	25,000	25,000
Interest receivable and similar income	10	4	23
Interest payable and similar expenses	11	(2,034)	(1,825)
Profit before tax		<u>143,868</u>	<u>130,927</u>
Tax on profit on ordinary activities	12	(23,243)	(21,110)
Profit for the financial period		<u><u>120,625</u></u>	<u><u>109,817</u></u>

The notes on pages 17 to 47 form part of these financial statements.

DPDGROUP UK LTD

**OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017**

		31 December 2017 £000	1 January 2017 £000
	Note		
Profit for the financial period		120,625	109,817
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit pension scheme	27	13,552	(13,652)
Tax relating to components of other comprehensive income	23	(2,304)	2,321
Remeasurement of unfunded EFRBS		10	(207)
Other comprehensive income net of tax		11,258	(11,538)
Total comprehensive income for the period		131,883	98,279

The notes on pages 17 to 47 form part of these financial statements.

DPDGROUP UK LTD
REGISTERED NUMBER: 732993

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	31 December 2017 £000	1 January 2017 £000
Non-current assets			
Intangible assets	14	1,177	382
Tangible assets	15	177,718	176,196
Fixed asset investments	16	81,023	81,023
		<u>259,918</u>	<u>257,601</u>
Current assets			
Stocks	17	3,691	3,476
Debtors: amounts falling due after more than one year	18	7,352	9,591
Debtors: amounts falling due within one year	18	155,221	129,305
Cash at bank and in hand	19	44,175	22,551
		<u>210,439</u>	<u>164,923</u>
Creditors: amounts falling due within one year	20	(333,330)	(304,553)
Net current liabilities		<u>(122,891)</u>	<u>(139,630)</u>
Total assets less current liabilities		<u>137,027</u>	<u>117,971</u>
Creditors: amounts falling due after more than one year	21	(5,800)	(5,800)
		<u>131,227</u>	<u>112,171</u>
Pension liability	27	(40,058)	(54,885)
Net assets		<u><u>91,169</u></u>	<u><u>57,286</u></u>

DPDGROUP UK LTD
REGISTERED NUMBER: 732993

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

		31 December 2017 £000	1 January 2017 £000
Capital and reserves	Note		
Called up share capital	24	39,745	39,745
Share premium account	25	119	119
Profit and loss account	25	51,305	17,422
		<u>91,169</u>	<u>57,286</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 July 2018.



D McDonald
Director



DL Adams
Director

The notes on pages 17 to 47 form part of these financial statements.

DPDGROUP UK LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 2 January 2017	39,745	119	17,422	57,286
Comprehensive income for the period				
Profit for the period	-	-	120,625	120,625
Other comprehensive income - pensions	-	-	11,248	11,248
Other comprehensive income - EFRBS	-	-	10	10
Total comprehensive income for the period	-	-	131,883	131,883
Dividends paid	-	-	(98,000)	(98,000)
At 31 December 2017	39,745	119	51,305	91,169

The notes on pages 17 to 47 form part of these financial statements.

DPDGROUP UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 1 JANUARY 2017**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 4 January 2016	39,745	119	30,143	70,007
Comprehensive income for the period				
Profit for the period	-	-	109,817	109,817
Other comprehensive income - pensions	-	-	(11,331)	(11,331)
Other comprehensive income - EFRBS	-	-	(207)	(207)
Total comprehensive income for the period	-	-	98,279	98,279
Dividends paid	-	-	(111,000)	(111,000)
At 1 January 2017	39,745	119	17,422	57,286

The notes on pages 17 to 47 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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.

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 preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policy. The Directors believe there are no critical accounting policies where judgements or estimates have been necessarily applied other than those stated in note 3.

DPDgroup UK Ltd ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 0732993 and the registered address is Roebuck Lane, Smethwick, West Midlands, B66 1BY.

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 2017, 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 as permitted by the standard.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

Basis of preparation of financial statements (continued)

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 FRS101 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

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 operational 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.4 IFRS 15 revenue from contracts with customers

The Company is required to adopt IFRS 15 Revenue from Contracts with Customers from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Company has assessed the estimated impact that the initial application of IFRS 15 will have on its individual financial statements. The estimated impact of the adoption of this standard on the company's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below.

Delivery of Parcels

Revenue is currently recognised after the collection and sortation of consignments. Each element requires a scan through one of the main sortation hub sites. Only when both scans have been performed does the service become provided for. The Company believes that there will be no material differences in how revenue will be recognised under IFRS 15.

Transition

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the company will not apply the requirements of IFRS 15 to the comparative period presented.

2.5 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%

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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.

2.7 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 the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value after making allowances for obsolete and slow-moving inventory. Cost includes all direct costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentational 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 Profit and Loss Account 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 Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

2.10 Finance costs

Finance costs are charged to the Profit and Loss Account 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.

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.12 Financial instruments

Financial assets carried at amortised cost

Financial assets are recognised on the Balance Sheet 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 trade and other receivables 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 and other payables 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.13 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.

2.14 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 or 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. 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 Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at 31 December 2017 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 the FRS 101 fair value hierarchy 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 Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.17 Interest income

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 Balance Sheet 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 Balance Sheet.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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 that 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 Balance Sheet.

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 tangible fixed assets, and the depreciation accounting policy note above for the useful economic lives for each class of asset.

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

4. Turnover

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

	31 December 2017 £000	1 January 2017 £000
Parcel distribution and related services	894,717	806,161
	<u>894,717</u>	<u>806,161</u>

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:

	31 December 2017 £000	1 January 2017 £000
Depreciation of tangible fixed assets	20,967	19,667
Amortisation of intangible assets, including goodwill	208	475
Loss on disposal of tangible fixed assets	501	89
Exchange losses	867	2,249
Defined contribution pension cost	4,304	4,146
Defined benefit pension cost	2,062	1,971
Operating lease payments for the hire of plant and equipment	58,225	51,772
	<u>58,225</u>	<u>51,772</u>

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements :

	31 December 2017 £000	1 January 2017 £000
Fees for the audit of the Company	120	95
	<u>120</u>	<u>95</u>

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

7. Employees

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

	31 December 2017 £000	1 January 2017 £000
Wages and salaries	218,785	203,722
Social security costs	20,167	18,284
Cost of defined benefit scheme	2,062	1,971
Cost of defined contribution scheme	4,304	4,146
	<u>245,318</u>	<u>228,123</u>

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

	31 December 2017 No.	1 January 2017 No.
Administration, sales and supervision	1,742	1,644
Operational	4,809	4,624
	<u>6,551</u>	<u>6,268</u>

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

8. Directors' remuneration

	31 December 2017 £000	1 January 2017 £000
Directors' emoluments	1,953	1,977
Pension contributions	-	5
	<u>1,953</u>	<u>1,982</u>

During the period retirement benefits were accruing to no Directors (2016: none) in respect of defined contribution pension schemes.

During the period retirement benefits were accruing to no Directors (2016: 1) in respect of defined benefit pension schemes.

There are three directors' who are deferred members of the defined benefit scheme (2016: 3).

The highest paid Director received remuneration of £986,895 (2016: £877,517).

The highest paid Director is a deferred member of the defined benefit scheme and accordingly has not accrued any benefit in 2017.

9. Income from investments

	31 December 2017 £000	1 January 2017 £000
Dividends received from subsidiary undertakings	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

10. Interest receivable and other similar income

	31 December 2017 £000	1 January 2017 £000
Other interest receivable	4	23
	<u>4</u>	<u>23</u>

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

11. Interest payable and similar charges

	31 December 2017 £000	1 January 2017 £000
Other loan interest payable	275	79
Loans from group undertakings	315	315
Finance leases and hire purchase contracts	-	100
Interest on pension scheme liabilities	1,444	1,331
	<u>2,034</u>	<u>1,825</u>

12. Taxation

	31 December 2017 £000	1 January 2017 £000
Corporation tax		
Current tax on profits for the period	23,308	21,345
Total current tax	<u>23,308</u>	<u>21,345</u>
Deferred tax		
Origination and reversal of temporary differences	(65)	(235)
Total deferred tax	<u>(65)</u>	<u>(235)</u>
Taxation on profit on ordinary activities	<u>23,243</u>	<u>21,110</u>

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

12. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	31 December 2017 £000	1 January 2017 £000
Profit on ordinary activities before tax	143,868	130,927
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	27,695	26,185
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	575	437
Loss on disposal of fixed assets	96	18
Other differences	(65)	(235)
Dividends from UK companies	(4,813)	(5,000)
Pension payment tax relief	(245)	(295)
Total tax charge for the period	23,243	21,110

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated on these rates.

13. Dividends

	31 December 2017 £000	1 January 2017 £000
Dividends paid on ordinary share capital	98,000	111,000
	98,000	111,000

Dividends of £2.47 per ordinary share (2016: £2.79) were paid in the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

14. Intangible assets

	Software upgrades £000
Cost	
At 2 January 2017	4,335
Additions	1,003
	<hr/>
At 31 December 2017	5,338
	<hr/>
Amortisation	
At 2 January 2017	3,953
Charge for the year	208
	<hr/>
At 31 December 2017	4,161
	<hr/>
Net book value	
At 31 December 2017	1,177
	<hr/>
At 1 January 2017	382
	<hr/>

Software additions during the year included £854,000 of intangibles transferred out of the assets under construction account (see note 15).

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

15. Tangible fixed assets

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000
Cost or valuation					
At 2 January 2017	134,719	23,706	41,105	6,130	20,102
Additions	89	248	1,269	574	1,244
Transfers intra group	-	-	-	-	-
Disposals	-	(671)	(1,226)	-	(422)
Transfers between classes	62	5,937	2,272	-	2,859
At 31 December 2017	134,870	29,220	43,420	6,704	23,783
Depreciation					
At 2 January 2017	16,506	11,061	27,547	3,097	9,409
Charge for the period on owned assets	5,138	1,959	2,779	412	4,023
Disposals	-	(453)	(1,085)	-	(376)
At 31 December 2017	21,644	12,567	29,241	3,509	13,056
Net book value					
At 31 December 2017	113,226	16,653	14,179	3,195	10,727
At 1 January 2017	118,213	12,645	13,558	3,033	10,693

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

15. Tangible fixed assets (continued)

	Computer equipment £000	Assets under construction £000	Total £000
Cost or valuation			
At 2 January 2017	34,191	6,683	266,636
Additions	2,673	21,284	27,381
Transfers intra group	-	(3,473)	(3,473)
Disposals	(300)	-	(2,619)
Transfers between classes	531	(12,515)	(854)
At 31 December 2017	37,095	11,979	287,071
Depreciation			
At 2 January 2017	22,820	-	90,440
Charge for the period on owned assets	6,656	-	20,967
Disposals	(140)	-	(2,054)
At 31 December 2017	29,336	-	109,353
Net book value			
At 31 December 2017	7,759	11,979	177,718
At 1 January 2017	11,371	6,683	176,196

At period end the net book carrying value of leased plant and machinery was £nil (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 2 January 2017	81,023
At 31 December 2017	<u>81,023</u>
Net book value	
At 31 December 2017	<u>81,023</u>
At 1 January 2017	<u>81,023</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Interlink Express Plc (1)	Ordinary	100 %	Sub-holding company
Interlink Express Parcels Limited (1)	Ordinary	100 %	Dormant
Dynamic Parcel Distribution Limited (1)	Ordinary	100 %	Dormant
DPD (UK) Limited (1)	Ordinary	100 %	Dormant
GeoPost Ireland Limited (1)	Ordinary	100 %	Dormant
Mail Plus Limited (1)	Ordinary	100 %	Dormant
DPD Local UK Ltd (2)	Ordinary	100 %	Transport related services
Interlink Ireland Limited (3)	Ordinary Redeemable Preference	100 %	Transport related services
Dynamic Parcel Distribution Limited (4)	Ordinary	100 %	Dormant
wnDirect Limited (1)	Ordinary	100 %	Transport related services
wnTPC Limited (5)	Ordinary	100 %	Transport related services
Castlegate 555 Limited (1)	Ordinary	100 %	Waste pumping services
GeoPost UK Limited (1)	Ordinary	100 %	Dormant
Pie Mapping Software Ltd (1)	Ordinary	83 %	Information technology services
Mpie Limited (6)	Ordinary	83 %	Dormant
Pie Mapping Limited (6)	Ordinary	83 %	Dormant

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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
- (6) Subsidiaries of Pie Mapping Software Ltd

The country of incorporation for all subsidiaries is the United Kingdom apart from GeoPost Ireland Limited, Interlink Ireland Limited and Dynamic Parcel Distribution Limited (4), whose country of incorporation is Ireland.

The registered office address of all the above subsidiaries is the same as the parent detailed in company information other than those listed below.

wnDirect Limited and wnTPC Limited registered office address is 2 A C Court, High Street, Thames, Ditton, Surrey, KT7 0SR.

Mpie Limited registered office address is Brown Jacobson LLP, 6 Bevis Marks, London, England, EC3A 7BA.

All subsidiaries incorporated in Ireland have a registered office address of Athlone Business Park, Dublin Road, Athlone, Co Westmeath, 28406.

Impairment testing

The carrying values of investments are tested for impairment annually and if there are indications that the carrying value may not be recoverable. This is done by calculating discounted cash flows using group recommended discount rates.

Discounted cash flow assumptions take into account key customer profit and growth forecasts, any decline in business performance and growth in the international market.

The Directors have concluded that no investment value is impaired at forecasted cash flow levels.

17. Stocks

	31 December 2017 £000	1 January 2017 £000
Fuel and engineering stock	3,691	3,476
	<u>3,691</u>	<u>3,476</u>

In the opinion of the directors, the disclosure of stock recognised as an expense would be seriously prejudicial to the interest of the Company.

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

18. Debtors

	31 December 2017 £000	1 January 2017 £000
Due after more than one year		
Deferred tax asset	7,352	9,591
	<u>7,352</u>	<u>9,591</u>
	<u><u>7,352</u></u>	<u><u>9,591</u></u>
	31 December 2017 £000	1 January 2017 £000
Due within one year		
Trade debtors	119,157	100,917
Amounts owed by group undertakings	3,919	3,837
Other debtors	689	357
Prepayments and accrued income	31,456	24,194
	<u>155,221</u>	<u>129,305</u>
	<u><u>155,221</u></u>	<u><u>129,305</u></u>

There are no contractual agreements relating to amounts owed by group undertakings, which are repayable on demand.

19. Cash and cash equivalents

	31 December 2017 £000	1 January 2017 £000
Cash at bank and in hand	44,175	22,551
	<u>44,175</u>	<u>22,551</u>
	<u><u>44,175</u></u>	<u><u>22,551</u></u>

DPDGROUP UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

20. Creditors: Amounts falling due within one year

	31 December 2017 £000	1 January 2017 £000
Trade creditors	89,163	69,987
Amounts owed to group undertakings	172,462	166,474
Corporation tax	12,493	12,469
Other taxation and social security	15,848	15,411
Other creditors	17,881	17,214
Accruals and deferred income	25,483	22,998
	<u>333,330</u>	<u>304,553</u>

There are no contractual agreements relating to amounts owed to group undertakings, which are repayable on demand.

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

	31 December 2017 £000	1 January 2017 £000
Amounts owed to group undertakings	5,800	5,800
	<u>5,800</u>	<u>5,800</u>

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

DPDGROUP UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

22. Financial instruments

	31 December 2017 £000	1 January 2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	44,175	22,551
Financial assets that are debt instruments measured at amortised cost	123,765	105,111
	<u>167,940</u>	<u>127,662</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(292,907)	(265,259)
	<u>(292,907)</u>	<u>(265,259)</u>

Financial assets measured at fair value through profit or loss comprise of cash in hand and at bank.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings and other creditors.

23. Deferred taxation

	31 December 2017 £000	1 January 2017 £000
At beginning of period	9,591	7,035
Charged to profit or loss	65	235
Charged to other comprehensive income	(2,304)	2,321
At end of period	<u>7,352</u>	<u>9,591</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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23. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	31 December 2017 £000	1 January 2017 £000
Accelerated capital allowances	1,537	1,255
Defined benefit pension	6,810	9,331
Revaluation surplus	(995)	(995)
	<u>7,352</u>	<u>9,591</u>

24. Called up share capital

	31 December 2017 £000	1 January 2017 £000
Authorised, allotted, called up and fully paid		
39,744,536 Ordinary shares of £1 each	<u>39,745</u>	<u>39,745</u>

25. Reserves

Share premium account

The share premium account amounted to £119,000 as at 31 December 2017 (£119,000 1 January 2017).

Profit and loss account

Profit and loss reserve includes non-distributable reserves of £4,856,000, net of tax, as at 31 December 2017 (1 January 2017: £4,856,000).

26. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	31 December 2017 £000	1 January 2017 £000
Contracted for but not provided for in these financial statements	34,098	5,920
	<u>34,098</u>	<u>5,920</u>

**NOTES TO THE FINANCIAL STATEMENTS
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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 two defined contribution schemes.

The defined benefit scheme is funded by contributions from the employers and employees. The schemes' assets are held in funds administered by Legal & General, BMO Global Asset Management, Invesco Perpetual, 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:

	31 December 2017 £000	1 January 2017 £000
Defined benefit pension scheme obligation		
At the beginning of the period	202,359	173,720
Current service cost	2,062	1,971
Interest cost	5,482	5,649
Actuarial (gains) / losses	(7,445)	26,146
Contributions	380	421
Benefits paid	(6,511)	(5,548)
At the end of the period	196,327	202,359

Reconciliation of present value of plan assets:

	31 December 2017 £000	1 January 2017 £000
At the beginning of the period	147,474	131,013
Interest income	4,038	4,318
Contributions	5,161	5,197
Benefits paid	(6,511)	(5,548)
Actual return on assets	6,107	12,494
At the end of the period	156,269	147,474

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NOTES TO THE FINANCIAL STATEMENTS
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27. Pension commitments (continued)

Composition of plan assets:

	31 December 2017 £000	1 January 2017 £000
Equities & Insurance contracts	29,195	25,919
Diversified Growth Funds & LDI Funds	126,734	120,762
Cash and cash equivalents	340	793
Total plan assets	156,269	147,474
	31 December 2017 £000	1 January 2017 £000
Fair value of plan assets	156,269	147,474
Present value of plan liabilities	(196,327)	(202,359)
Pension scheme liability	(40,058)	(54,885)

The amounts recognised in profit or loss are as follows:

	31 December 2017 £000	1 January 2017 £000
Current service cost	2,062	1,971
Interest on obligation	5,482	5,649
Interest income on plan assets	(4,038)	(4,318)
Total amounts charged to the Profit and Loss Account	3,506	3,302

The Company expects to contribute £4,900,000 to its defined benefit pension scheme in 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

27. Pension commitments (continued)

	31 December 2017 £000	1 January 2017 £000
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	6,107	12,494
Changes in assumptions underlying the present value of the scheme liabilities	7,445	(26,146)
	<u>13,552</u>	<u>(13,652)</u>

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	31 December 2017 %	1 January 2017 %
Discount rate	2.60	2.75
Future salary increases	2.20	2.30
Future pension increases	3.10	3.20
Retail Price Inflation assumption	3.20	3.30
Mortality rates		
- for a male aged 65 now	22.0	21.5
- at 65 for a male aged 50 now	24.2	23.8
- for a female aged 65 now	24.3	24.6
- at 65 for a female member aged 50 now	26.5	27.4

Curtailments and settlements

We have not been advised of any material curtailments or settlements during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

27. Pension commitments (continued)

Pension sensitivity

Significant actuarial assumptions for the determination of the defined benefit obligations 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 £3.2m (2016: £3.3m).

If the discount rate was 0.1% lower the defined benefit net liability would increase by £3.3m (2016: £3.4m).

If the life expectancy increased by one year for both men and women the actuarial valuation of the liability would increase by £7.9m (2016: £8.1m).

If inflation increased by 0.5% the actuarial valuation of the liability would increase by £11.5m (2016: £12.0m).

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, 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 £3,849,000 were paid on 24th January 2017.

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.

From the 6th April 2018 contribution rates increased. The Company rate increased to 21.2%, Grade 1 members rate increased to 10.2% and Grade 2 members rate increased to 7.3%.

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 4 years with the aim of reducing variability in the Scheme's investment strategy by gradually moving the investment in growth assets to less risky assets as the Scheme's funding level improves.

**NOTES TO THE FINANCIAL STATEMENTS
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28. Commitments under operating leases

At 31 December 2017 the Company had total future minimum lease payments under non-cancellable operating leases of £559,427,000 (2016: £531,093,000) analysed as follows:

	31 December 2017 £000	1 January 2017 £000
Land and buildings expiring:		
Not later than 1 year	24,255	20,211
Later than 1 year and not later than 5 years	90,978	82,435
Later than 5 years	292,227	257,254
Total	407,460	359,900
	31 December 2017 £000	1 January 2017 £000
Other expiring:		
Not later than 1 year	45,599	44,859
Later than 1 year and not later than 5 years	100,219	111,219
Later than 5 years	6,149	15,115
Total	151,967	171,193

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 £358,320 (2016: £nil) during the year by Pie Mapping Software Ltd in respect of software development services.

At the year end the amount still owed to Pie Mapping Software Ltd was £nil (2016: £nil)

30. Events after the reporting period

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

**NOTES TO THE FINANCIAL STATEMENTS
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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.