



# **DX Network Services Limited**

**Report and financial statements  
for the year ended 30 June 2007**

**Company number 5026914**

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**DX Network Services Limited**

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## **DX Network Services Limited**

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### **Directors and advisers**

#### **Directors**

James Greenbury  
Ian Pain  
Michael Stone  
Alan Whelan

#### **Company secretary**

Robert Warner

#### **Auditors**

Deloitte & Touche LLP  
Reading

#### **Bankers**

Bank of Scotland  
New Ueberior House  
11 Earl Grey Street  
Edinburgh EH3 9NB

#### **Solicitors**

Travers Smith LLP  
DX79 London City

10 Snow Hill  
London  
EC1A 2AL

#### **Registered office**

DX1 Iver

DX House  
Ridgeway  
Iver  
Buckinghamshire SL9 0JQ

#### **Registered number**

5026914

## **DX Network Services Limited**

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### **Directors' report**

The directors present their report and the audited financial statements for the year ended 30 June 2007

#### **Principal activity**

The company's continuing activity is the provision of mail services

#### **Review of the business**

DX Network Services Limited ('DX') is the UK's leading independent provider of early morning, next day business to business mail and parcel services, 17,000 companies use the Document Exchange or DX mail and parcel services to send time critical mail

DX handles over one million items every working day, operating a nationwide, end-to-end collection and delivery network across England, Wales, Scotland, Northern Ireland, the Channel Islands, the Isle of Man and the Isle of Wight

On 23 August 2006, it was announced that the offer made by DX Holdings Limited (then Mail Acquisitions Limited) to acquire the whole of the share capital of the parent company had been declared unconditional. As a result, the company is now owned by the DX group, which also acquired Secure Mail Services Limited ('SMS'), a specialist mail company supplying timely, secure and bespoke nationwide collection and delivery solutions for valuable mail and small parcels to a wide range of businesses

The acquisition represents a positive and confident step towards securing an exciting new future under a new ownership structure. There is a compelling strategic logic in bringing together DX and SMS to create the leading independent end-to-end UK postal operator

The combination of DX and SMS will deliver significant benefits such as

- further improvement to the range and quality of services offered to customers,
- more extensive coverage through an expanded delivery network, and
- increased volumes for key business partners and suppliers and the creation of new opportunities for employees

In addition, in the wake of the recent industry deregulation, the enlarged group will be well positioned as customers move to use alternatives to Royal Mail

The enlarged group has a combined annual turnover of £175 million, approximately 1,700 employees and handles over 270 million items of mail per year

The main commercial risks that the business currently faces are

<b><i>Risk</i></b>	<b><i>How the risk is managed</i></b>
Competition from Royal Mail and other mail providers	<p>By providing high levels of service quality at competitive prices and maintaining strong relationships with major customers</p> <p>The bringing together of the company with Secure Mail Services Limited provides the opportunity of offering a wider range of competitive services to existing and new customers. The first of these services, SecureDX, was launched at the end of March 2007</p>
The challenges of operating in a highly regulated environment	By implementing processes within the network and a rigorous programme of mail integrity audits

#### **The environment**

DX is committed to being an environmentally responsible company and aims to manage its activities in line with environmental legislation and to minimize the impact on the environment

## **DX Network Services Limited**

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### **Directors' report**

#### **Results and dividends**

The profit for the year after taxation was £15.0 million (2006 £12.6 million), after charging exceptional costs of £1.1 million (2006 £nil) and goodwill amortisation of £4.2 million (2006 £4.2 million). The directors do not recommend the payment of a dividend.

#### **Share capital**

The company's authorised and issued share capital are shown in note 16 to the financial statements.

#### **Directors**

The directors at the end of the year and at the date of signing were as follows:

James Greenbury	Chief Executive	appointed 30 August 2006
Ian Pain	Chief Financial Officer	appointed 20 December 2006
Michael Stone	Chief Operating Officer	appointed 24 November 2006
Alan Whelan	Sales and Marketing Director	appointed 16 April 2007

In addition to the above, Julia Marsan and David Sibbick served as directors until 30 August 2006, when they resigned, and Paul Kehoe served as a director until 31 December 2006, when he resigned.

#### **Employee involvement and communication**

DX employs a culturally diverse workforce representative of the local population in the areas where we operate. DX is committed to providing equal opportunities of employment to all staff, regardless of their gender, nationality, colour or creed. The company's policies on recruitment, training, career development and promotion are based solely on the ability of the individual and the needs of the group's business.

Disabled persons are given equal treatment with the able bodied. For employees who have become disabled after joining the company, every effort is made to enable them to continue in employment and suitable retraining and/or an offer of alternative employment is provided where possible.

DX has a stakeholder pension scheme, and actively encourages participation in the scheme. The company continues to invest in its people with a dedicated specialist in reward structures and an ongoing programme of performance management, learning and development.

Each member of the senior management team takes personal responsibility for communicating with a part of the business. Employees are given opportunities to talk candidly with a member of the senior management team, including open forums with each night shift at every service centre.

DX wishes to have the considered views of employees over a wide range of subjects and thus encourages an active interest in group activities at all levels. This aim is achieved through a fully representative 'Employee Partnership' programme, which ensures two way communications and employee involvement. The company has redesigned its communication and consultation forums, holding representative elections with considerable success.

#### **Charitable and political donations**

The company provides support to Vision Aid Overseas ('VAO') by collecting and distributing spectacles within the UK for reconditioning and onward transportation to Africa for reuse. Financial support was provided to VAO in the form of sponsorship of its annual review and other projects, amounting to £4,000 (2006 £11,555).

Other charitable donations in the year comprised payments to Teenage Cancer Trust and SPARKS (£11,300) and to the charity race day of one of the company's customers (£2,200). Other charitable donations in 2006 comprised sponsorship of the Iwer Educational Trust (£3,000) and the provision of prizes at the Headway Cardiff golf day (£250).

No payments were made to political parties.

**Directors' report**

**Payments to suppliers**

It is the company's policy to make payments to suppliers in accordance with agreed terms, provided that the supplier has performed in accordance with agreed terms and conditions. Creditor days at 30 June 2007 were 74 days (2006 74 days)

**Auditors**

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

- (1) so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

The company has approved an elective resolution under S379A (as amended) of the Companies Act 1985 to dispense with the requirement to hold an annual general meeting, and the need to approve the financial statements and the reappointment of the auditors thereat

**Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,
- 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 proper accounting records that 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 1985. 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

The directors confirm that they have complied with these requirements

**Directors' and officers' insurance and indemnities**

The company maintains appropriate directors' and officers' liability insurance for the benefit of the directors

By order of the board



Robert Warner  
Company Secretary

8 October 2007

**Independent auditors' report  
to the members of DX Network Services Limited**

We have audited the financial statements of DX Network Services Limited for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **DX Network Services Limited**

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### **Independent auditors' report to the members of DX Network Services Limited**

#### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Deloitte Touche LLP*

#### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Reading  
United Kingdom  
8 October 2007



**DX Network Services Limited****Profit and loss account  
For the year ended 30 June 2007**

	Notes	2007 £m	2006 £m
<b>Turnover:</b>			
Document Exchange		76 4	78 1
Direct to door delivery		47 4	47 5
	<b>2</b>	<b>123.8</b>	<b>125 6</b>
<b>Operating costs:</b>			
Before exceptional items and goodwill amortisation		(91 7)	(98 4)
Exceptional items	6	(1 1)	-
Goodwill amortisation		(4 2)	(4 2)
<b>Total operating costs</b>	<b>3</b>	<b>(97 0)</b>	<b>(102 6)</b>
<b>Operating profit:</b>			
Before exceptional items and goodwill amortisation		32 1	27 2
Exceptional items and goodwill amortisation		(5 3)	(4 2)
<b>Total operating profit</b>		<b>26 8</b>	<b>23 0</b>
Net interest payable	7	(3 5)	(2 8)
<b>Profit on ordinary activities before taxation</b>		<b>23 3</b>	<b>20 2</b>
<b>Tax on profit on ordinary activities</b>			
Before exceptional items and goodwill amortisation		(8 6)	(7 6)
Exceptional items and goodwill amortisation		0 3	-
<b>Total tax on profit on ordinary activities</b>	<b>8</b>	<b>(8 3)</b>	<b>(7 6)</b>
<b>Profit on ordinary activities after taxation.</b>			
Before exceptional items and goodwill amortisation		20 0	16 8
Exceptional items and goodwill amortisation		(5 0)	(4 2)
<b>Profit for the year transferred to reserves</b>	<b>17</b>	<b>15 0</b>	<b>12 6</b>

All results are derived from continuing operations

There are no other recognised gains or losses arising during the current and previous financial periods other than those shown in the profit and loss account. Accordingly, a Statement of recognised gains and losses has not been presented.

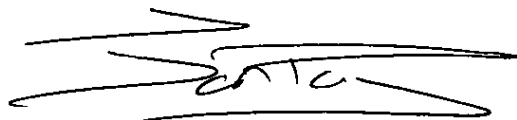
**DX Network Services Limited****Balance sheet  
as at 30 June 2007**

	Notes	2007 £m	2006 £m
<b>Fixed assets.</b>			
Intangible fixed assets	9	71.6	75.8
Tangible fixed assets	10	7.6	10.7
Investments	11	4.3	4.3
		<b>83.5</b>	<b>90.8</b>
<b>Current assets:</b>			
Debtors	12	25.3	26.2
Cash at bank and in hand		9.9	1.2
		<b>35.2</b>	<b>27.4</b>
<b>Creditors' amounts falling due within one year</b>	13	<b>(57.2)</b>	<b>(52.5)</b>
<b>Net current liabilities</b>		<b>(22.0)</b>	<b>(25.1)</b>
<b>Total assets less current liabilities</b>		<b>61.5</b>	<b>65.7</b>
<b>Creditors' amounts falling due after more than one year</b>	14	<b>(31.3)</b>	<b>(50.3)</b>
Provisions for liabilities and charges	15	(1.5)	(1.7)
<b>Net assets</b>		<b>28.7</b>	<b>13.7</b>
<b>Capital and reserves.</b>			
Called up share capital	16	1.0	1.0
Profit and loss account	17	27.7	12.7
<b>Shareholders' funds</b>	17	<b>28.7</b>	<b>13.7</b>

These financial statements were approved by the board of directors on 8 October 2007 and signed on its behalf by



**James Greenbury**



**Ian Pain**

## **DX Network Services Limited**

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### **Notes to the financial statements for the year ended 30 June 2007**

#### **1 Significant accounting policies**

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

##### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

##### **Group financial statements**

The company is a wholly owned subsidiary of DX Group Limited which is incorporated in Great Britain and registered in England and Wales, and which has prepared consolidated financial statements to 30 June 2007. Therefore as the company is exempt from the obligation to prepare and deliver group financial statements, the financial statements only present information about the company as an individual undertaking, not about its group.

##### **Cash flow statement**

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company includes the company in its own consolidated financial statements, which include a cash flow statement, and are publicly available.

##### **Goodwill**

Goodwill is the surplus of cost over the net asset value attributed to businesses acquired. Goodwill arising on the acquisition of businesses is capitalised and amortised on a straight line basis over the shorter of its estimated economic useful life and 20 years.

##### **Investments**

Shares in, and loans to, subsidiary companies are valued at cost less provision for impairment.

##### **Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. Depreciation of fixed assets is on a straight line basis calculated at rates to write off the cost less estimated residual value of each asset over the term of its expected useful life.

The following rates are used	% per annum
Land and buildings	
Land	Nil
Freehold buildings	2 - 2.5
Short leasehold properties	4 - 20
Plant and machinery	10 - 25

##### **Taxation**

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial information. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## **DX Network Services Limited**

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### **Notes to the financial statements for the year ended 30 June 2007**

#### **1 Significant accounting policies (continued)**

##### **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease

##### **Pension costs**

The company is a member of a group defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either creditors or debtors in the balance sheet.

##### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. All translation differences are dealt with in the profit and loss account.

##### **Share-based payments**

The immediate parent company issued equity-settled share-based payments to certain employees. The fair value was measured at the date of the grant, and expensed on a straight line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest. The amount relating to employees of the company is charged in the profit and loss account and included as a liability on the assumption that payments will be made to the parent company for these share-based payments.

On cessation of the schemes, that portion of the fair value that had not been expensed at the date of cancellation was written off to the profit and loss account, and the amount of the liability at the same date was released to the profit and loss account.

##### **Turnover**

Turnover represents the value of sales, apportioned over the period to which it relates after excluding trade discounts, value added tax and similar sales related taxes.

Document Exchange subscription income invoiced in advance is deferred and recognised as turnover over the period in which the related service is provided. Deferred subscription income is included in the balance sheet as deferred income within creditors' amounts falling due within one year.

All other turnover is recognised as the service to which it relates is rendered.

#### **2 Segmental information**

The directors consider there to be only one class of business, being the provision of mail services, and one material geographical segment, being the United Kingdom.

## DX Network Services Limited

### Notes to the financial statements for the year ended 30 June 2007

#### 3 Operating costs

	2007 £m	2006 £m
Other external charges – excluding exceptional items	58.5	62.8
Other external charges – exceptional items *	0.6	-
Other external charges – total	59.1	62.8
Staff costs – excluding exceptional items	24.8	25.9
Staff costs – exceptional items *	0.4	-
Staff costs – total (see note 5)	25.2	25.9
Depreciation (owned assets) – excluding exceptional items	4.5	5.2
Depreciation (owned assets) – exceptional items *	0.1	-
Depreciation (owned assets) – total	4.6	5.2
Profit on sale of fixed assets	(0.4)	-
Hire of plant – other rentals	0.5	0.7
Other operating lease rentals (including land and buildings)	3.8	3.8
Goodwill amortisation	4.2	4.2
<b>Operating costs – excluding exceptional items and goodwill amortisation</b>	<b>91.7</b>	<b>98.4</b>
<b>Operating costs – exceptional items and goodwill amortisation</b>	<b>5.3</b>	<b>4.2</b>
<b>Total operating costs</b>	<b>97.0</b>	<b>102.6</b>

\* an analysis of exceptional items is given in note 6

Auditors' remuneration is included in a group management charge of £1.6 million (2006 £2.6 million), which is included in other external charges. The amount relating to audit services to the company is not separately identifiable.

#### 4 Directors' emoluments

##### Total remuneration\*

	2007 £000	2006 £000
Emoluments	46	81
Cost of contributions to defined contribution pension schemes	2	3
	<b>48</b>	<b>84</b>

	2007 No	2006 No
The number of directors accruing benefits under money purchase schemes in each year was	2	2
The number of directors who exercised share options	1	-
The number of directors who received shares under long-term incentive schemes	2	1

The emoluments above were paid directly by the company. Other directors' emoluments were paid by the parent companies and included in group management charges. Total directors' emoluments paid in this way amounted to £1,409,000 (2006 £924,000).

**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2007****5 Staff costs (including directors)**

	2007 £m	2006 £m
Wages and salaries	23.3	23.3
Social security costs	1.9	2.1
Other pension costs	0.2	0.3
	<u>25.4</u>	<u>25.7</u>
Equity-settled share-based payment costs	(0.2)	0.2
	<u>25.2</u>	<u>25.9</u>

**Average number of persons employed (including directors)**

	2007 No	2006 No
Sales and marketing	105	116
Network	1,039	1,039
Management and administration	89	114
	<u>1,233</u>	<u>1,269</u>

**6 Exceptional items**

	2007 £m	2006 £m
Net benefits arising from the acquisition of the group by DX Group Limited	(0.1)	-
Restructuring costs	0.6	-
Integration costs	0.6	-
	<u>1.1</u>	<u>-</u>

Following the acquisition of the group by DX Group Limited during the year, the company incurred £0.6 million in restructuring its cost base, and a further £0.6 million in integrating the business with that of its fellow subsidiary undertaking, Secure Mail Services Limited. Net benefits of £0.1m (including the release of liabilities for equity-settled share-based payments) arose as a result of the acquisition.

**7 Net interest payable**

	2007 £m	2006 £m
<b>Interest payable and similar charges:</b>		
Group interest payable	3.7	2.9
<b>Total interest payable and similar charges</b>	<u>3.7</u>	<u>2.9</u>
<b>Interest receivable and similar income:</b>		
Bank deposits	0.2	0.1
<b>Total interest receivable and similar income</b>	<u>0.2</u>	<u>0.1</u>
<b>Net interest payable</b>	<u>3.5</u>	<u>2.8</u>

**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2007****8 Tax on profit on ordinary activities****(a) Analysis of charge in year**

	2007 £m	2006 £m
<b>Current tax</b>		
United Kingdom corporation tax	9.2	8.8
Deferred tax	(0.9)	(1.2)
<b>Tax on profit on ordinary activities</b>	<b>8.3</b>	<b>7.6</b>

The exceptional items gave rise to a tax credit included above of £0.3 million (2006: £nil)

**(b) Factors affecting the tax charge for year**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2007 £m	2006 £m
Profit before tax	23.3	20.2
Profit on ordinary activities before tax at the standard rate of UK corporation tax of 30% (2006: 30%)	7.0	6.0
<b>Factors affecting charge for year</b>		
Depreciation and other amounts written off fixed assets for year in excess of capital allowances	1.0	1.2
Goodwill amortisation potentially not eligible for tax relief	1.3	1.3
Equity-settled share based payments	(0.2)	-
Other	0.1	0.3
<b>Total actual amount of current tax</b>	<b>9.2</b>	<b>8.8</b>

**9 Intangible fixed assets**

	Goodwill £m
<b>At 1 July 2006 and 30 June 2007</b>	<b>84.2</b>
<b>Amortisation.</b>	
At 1 July 2006	8.4
Charge for the year	4.2
<b>At 30 June 2007</b>	<b>12.6</b>
<b>Net book value</b>	
<b>At 30 June 2007</b>	<b>71.6</b>
At 30 June 2006	75.8

## DX Network Services Limited

### Notes to the financial statements for the year ended 30 June 2007

#### 10 Tangible fixed assets

	Freehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
<b>Cost.</b>				
At 1 July 2006	0.3	5.8	32.6	38.7
Additions	-	0.2	1.6	1.8
Disposals	(0.3)	(0.2)	(0.2)	(0.7)
<b>At 30 June 2007</b>	<b>-</b>	<b>5.8</b>	<b>34.0</b>	<b>39.8</b>
<b>Depreciation.</b>				
At 1 July 2006	0.1	3.9	24.0	28.0
Charge for the year	-	0.6	4.1	4.7
Disposals	(0.1)	(0.2)	(0.2)	(0.5)
<b>At 30 June 2007</b>	<b>-</b>	<b>4.3</b>	<b>27.9</b>	<b>32.2</b>
<b>Net book value</b>				
<b>At 30 June 2007</b>	<b>-</b>	<b>1.5</b>	<b>6.1</b>	<b>7.6</b>
At 30 June 2006	0.2	1.9	8.6	10.7

#### 11 Investments

	Shares in subsidiary companies £m
<b>Cost:</b>	
At 1 July 2006	4.3
Increases in the year	0.6
<b>At 30 June 2007</b>	<b>4.9</b>
<b>Provisions:</b>	
At 1 July 2006	-
Charge for the year	0.6
<b>At 30 June 2007</b>	<b>0.6</b>
<b>Net book value.</b>	
<b>At 30 June 2007</b>	<b>4.3</b>
At 30 June 2006	4.3

At 30 June 2007 DX Network Services Limited owned 100% of each class of issued shares of the following companies

	Principal activity
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Mail services
DX Electronic Services Limited	Domant

Each of these companies is registered and operates in England and Wales unless otherwise stated



**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2007****12 Debtors**

	2007 £m	2006 £m
Trade debtors	18.2	20.9
Amounts owed by ultimate parent undertaking	0.5	-
Amounts owed by immediate parent undertaking	1.3	0.6
Amounts owed by fellow subsidiary undertakings	0.6	-
Other debtors	0.1	0.1
Prepayments and accrued income	4.6	4.6
	<b>25.3</b>	<b>26.2</b>

**13 Creditors, amounts falling due within one year**

	2007 £m	2006 £m
Bank overdraft	0.1	-
Trade creditors	1.5	1.5
Amounts owed to immediate parent undertaking	-	0.3
Amounts owed to subsidiary undertakings	0.2	-
Corporation tax	11.2	5.4
Other taxes and social security costs	3.0	3.0
Other creditors	0.5	1.2
Accruals	8.7	8.7
Deferred income	32.0	32.4
	<b>57.2</b>	<b>52.5</b>

**14 Creditors, amounts falling due after more than one year**

	2007 £m	2006 £m
Amounts owed to immediate parent undertaking	27.7	48.7
Amounts owed to subsidiary undertakings	3.6	1.6
	<b>31.3</b>	<b>50.3</b>

The amounts owed to group undertakings bear interest at LIBOR-based market rates, and are repayable no earlier than 6 September 2009

**15 Provisions for liabilities and charges**

	Deferred taxation £m	Other provisions £m	Total £m
At 30 June 2006	1.7	-	1.7
Charged/(credited) to profit and loss account	(0.9)	0.7	(0.2)
<b>At 30 June 2007</b>	<b>0.8</b>	<b>0.7</b>	<b>1.5</b>

Other provisions comprise costs in respect of long term employee healthcare benefits, and are expected to be utilised over the period to January 2026

**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2007****15 Provisions for liabilities and charges  
(continued)**

Deferred tax provided in the financial statements comprises

	2007 £m	2006 £m
Accelerated capital allowances	1 1	2 0
Other timing differences	(0 3)	(0 3)
	<b>0.8</b>	<b>1 7</b>

**16 Called up share capital****Authorised**

	No (000)	2007 £000	No (000)	2006 £000
Ordinary shares of 1p each	150,000	1,500	150,000	1,500

**Allotted, called up and fully paid**

	No (000)	2007 £000	No (000)	2006 £000
Ordinary shares of 1p each	100,000	1,000	100,000	1,000

The company has one class of ordinary shares which carry no right to fixed income

**17 Shareholders' funds**

	Called up share capital £m	Profit and loss account £m	Total £m
At 30 June 2005	1 0	12 1	13 1
Profit for the year	-	12 6	12 6
Dividends paid to parent company	-	(12 0)	(12 0)
At 30 June 2006	1 0	12 7	13 7
Profit for the year	-	15 0	15 0
At 30 June 2007	<b>1.0</b>	<b>27 7</b>	<b>28 7</b>

**18 Financial commitments**

	2007 £m	2006 £m
<b>Capital expenditure</b>		
Contracted but not provided for	-	-
<b>Annual commitments under operating leases</b>		
Land and buildings – leases which expire		
Within one year	0 1	0 2
Between two and five years	1 1	1 0
After five years	1 6	1 6
	<b>2.8</b>	<b>2.8</b>

## **DX Network Services Limited**

### **Notes to the financial statements for the year ended 30 June 2007**

#### **18 Financial commitments (continued)**

	2007 £m	2006 £m
Other – leases which expire		
Within one year	0.2	-
Between two and five years	0.1	0.4
	<b>0.3</b>	<b>0.4</b>

#### **19 Contingencies**

The company has entered into a bank guarantee facility in respect of its performance under its licence to provide regulated mail services, and in respect of property leases. The maximum liability under its guarantee in respect of regulated mail services at 30 June 2007 amounts to £0.5 million (2006: £2.1 million). It has also provided bank guarantees to the landlords in respect of its obligations under certain leased properties amounting to £1.0 million (2006: £1.0 million).

The company has provided a cross guarantee in respect of amounts outstanding under the group's UK bank facilities. The amount outstanding under these facilities at 30 June 2007, excluding amounts owed by the company, was £0.6 million (2006: £nil).

The company has also provided a cross guarantee in respect of amounts outstanding under the ultimate parent undertaking's £282.2 million senior and mezzanine borrowing facilities, of which £251.4 million was outstanding at 30 June 2007 (2006: £62.0 million outstanding under the immediate parent undertaking's previous banking facilities).

No provisions are required or have been made in respect of these contingencies since, in the opinion of the directors, they are not expected to result in financial loss for the company.

#### **20 Pension arrangements**

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are in managed funds, and are therefore held separately from the assets of the group.

The total cost charged to income of £0.2 million (2006: £0.3 million) represents contributions payable to this scheme by the company at rates specified in the rules of the schemes.

#### **21 Related party transactions**

As permitted by FRS 8 'Related party disclosures', the financial statements do not disclose transactions with the ultimate parent company and fellow subsidiaries.

#### **22 Ultimate parent undertaking and ultimate controlling party**

In the opinion of the directors, the company's ultimate parent undertaking at 30 June 2007 was DX Group Limited, a company incorporated in England and Wales whose registered office is at DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ. Copies of the annual report and financial statements of DX Group Limited may be obtained from the registered office.

DX Group Limited is both the smallest and the largest group into which the company's results are consolidated.

**DX Network Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2007**

**22 Ultimate parent undertaking and ultimate controlling party  
(continued)**

In the opinion of the directors, the company's controlling party at 30 June 2007 was funds controlled by Candover Partners Limited