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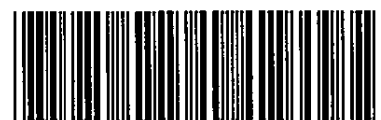
DX Network Services Limited

Report and financial statements
for the year ended 30 June 2013

COMPANY NUMBER 05026914



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DX Network Services Limited

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DX Network Services Limited

Directors and advisers**Directors**

Petar Cvetkovic
Ian Pain

Company secretary

Raquel McGrath

Auditor

KPMG LLP
DX 146800 READING

Arlington Business Park
Theale
Reading RG7 4SD

Bankers

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

Solicitors

Linklaters LLP
DX10 LONDON CITY

One Silk Street
London
EC2Y 8HQ

Registered office

DX1 IVER

DX House
Ridgeway
Iver
Buckinghamshire SL0 9JQ

Registered number

05026914

DX Network Services Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2013

Principal activity

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

Results and dividends

Earnings for the year before interest, tax, depreciation, amortisation and exceptional items were £25.7 million (2012 £28.4 million)

The profit for the financial year after taxation was £24.4 million (2012 £15.9 million), after charging goodwill amortisation of £4.1 million (2012 £4.2 million), and crediting a dividend received from a subsidiary undertaking of £7.8 million (2012 £nil). The directors do not recommend the payment of a dividend (2012 £nil)

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, twelve thousand businesses rely on DX Exchange or DX Courier every day to send time-critical mail and parcels across the UK

DX operates 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. A wholly owned subsidiary operates a similar network in the Republic of Ireland

The company offers three main services

Mail and packets

- **DX Exchange** is our private B2B network which connects 25,000 businesses through 4,500 exchanges – serving the public sector, financial, health, legal and optical professionals. Providing a fast, secure and reliable service, it combines out-of-hours delivery and collection with pre-9am and post-5pm tracking at the exchange. In existence for over 35 years, it's still the backbone of our business despite increasingly digitalised communications reducing its volumes. While e-substitution is a reality, recent news headlines have highlighted the security risks associated with e-mails and attachments. To address this we are running a pilot of a new automatically encrypted secure e-mail service with a number of Customers in the legal sector that we hope to roll out more widely in 2014.
- **DX Mail** is aimed as a lower cost alternative to 2nd class post for non-urgent B2B and B2C mail. Revenue has increased again with our downstream access service being the fastest growing in our product portfolio.

Parcels

- **DX Courier** serves our Customers in high street retail, business areas and government premises. DX Courier is fast, secure and cost-effective, offering both tracked and untracked next-day delivery. It helps supply chains run smoothly and connects branch networks with business premises. With collection and timed delivery options, DX Courier carries everything from cheques that need banking to returned stock sent back for repair. A large number of new Customer implementations are in progress and the DX Courier service is a major growth opportunity for 2014.

Logistics

- **DX Business Direct** is our overnight service which helps Customers meet supply chain demand. Pre-9am delivery and reverse-logistics ensure that engineering and servicing businesses have the repair parts and components they need for the day ahead. Services include in-boot delivery and parcel exchange boxes.

DX Network Services Limited

Directors' report

DX continues to deliver strong Customer service and high Customer satisfaction. This is not only reflected in retaining the vast majority of our existing Customers, but also in building some key relationships with new Customers. To achieve this, we set ourselves high service level targets, which we are pleased to announce we hit consistently. Turnover reduced by £3.8 million (3.1%) during the year (compared with an increase of 2.1% in the previous year).

DX is always striving to improve its business efficiency while maintaining and enhancing high levels of Customer service. In the year just ended DX achieved a reduction in operating costs (excluding depreciation, exceptional items and goodwill amortisation) of £1.0 million whilst revenue reduced by £3.8 million. Earnings for the year before interest, tax, depreciation, amortisation and exceptional items reduced as a percentage of turnover from 23.0% to 21.4%.

During the year the company received a dividend of £7.8 million (€9.0 million) (2012: £nil) from its wholly owned subsidiary, DX Network Services Ireland Limited.

Subsequent to the end of the year on 21 December 2013 the company completed the disposal of the trade and assets of its DX Business Direct trading activity. The consideration for the disposal was £5.5 million, of which £3.0 million was received on completion with £1.25 million receivable in June 2014 and £1.25 million receivable in December 2014. An estimated profit before tax of £1.3 million was realised on the disposal.

The main commercial risks that the business currently faces are:

<i>Risk</i>	<i>How the risk is managed</i>
Competition from Royal Mail and other mail providers	By providing high levels of service quality at prices that provide Customers with best value, maintaining strong relationships with major Customers and developing new services in response to Customer needs.
The challenges of operating in a highly regulated environment	By implementing processes within the network and a rigorous programme of mail integrity audits.
Reductions in volumes to below economic levels	By seeking to win business in new sectors, developing new services recognising the general move to digital and electronic alternatives and maximising the benefits of the acquisition of DX Freight.

Interest rate risk is managed on a group basis.

DX's exposure to credit and foreign exchange risks are not significant, and the company has not implemented any specific strategy for managing these risks.

Colleague matters

Colleague involvement and communication is undertaken on a group-wide basis.

The DX Group has developed a culture where Colleagues feel appreciated and valued for their contribution. This is supported by a Personal Performance System that focuses on the achievement of business and personal objectives, further supported by a Learning and Development Service that provides bespoke learning interventions for Colleagues at all levels.

There are now in excess of 40 bespoke learning interventions available to Colleagues and a range of focused sales training programmes that have resulted in an increase to average capability scores for Sales Managers of 22.4% and 14.0% for Sales Colleagues.

The Delivered Exactly Programme aimed at delivering great service for our Customer each and every time has been successfully rolled out and Colleague feedback demonstrates that 51% of participants feel that the Programme has improved Customer experience which is a clear achievement from the objectives of the programme.

Directors' report

Policies and procedures provide Colleagues with a structured framework of support in relation to recruitment, learning and development, career development and promotion which are based solely on the ability of the individual and the needs of the business. During the year ended 30 June 2013 a total of 41% of our recruitment was fulfilled by the promotion of existing Colleagues and 39% of these Colleagues have successfully undertaken learning and development activity.

The DX Colleague population is culturally diverse and representative of the local populations of the areas within which we operate. In all cases DX fulfils its obligations under the Equality Act 2010.

All Colleagues are offered equal and competitive benefits packages which include a provision for death in service benefit, a number of voluntary benefits to support Colleagues' welfare and an opportunity to participate in one of the Group's stakeholder pension schemes.

Pension auto enrolment is in progress and will be available to Colleagues by April 2014 as required by the Pensions Reform Act 2012.

The fully representative Employee Partnership continues to provide two way communication and opportunities for Colleague involvement. In this way DX has access to the considered views of Colleagues over a wide variety of subjects.

Environmental matters

The DX Group continues to focus strongly on reducing the effects our business has on the environment. We set a target in 2012 of 5% reduction over all areas of Environmental management. We are proud to report we have exceeded these savings over the past 12 months.

Diesel fuel emissions - have reduced from 587 Kg CO₂e to 421 Kg CO₂e. This has been achieved by

- extensive use of vehicle routing and tracking software enabling us to reduce courier route profiles,
- increase in the use of conference calls replacing travel to meetings,
- campaigning our Colleagues to car share where appropriate, and
- providing incentives for company car drivers to choose cars with lower CO₂ emission scores. Colleagues are encouraged to consider trading down to a car in a band below their contractual entitlement. The selection of a smaller car will save colleagues a reduction in personal taxation costs and benefits the environment by encouraging the use of cars with lower CO₂ emissions.

Energy management – we have contracted the services of a major buildings maintenance and energy management company – MITIE Asset Management. A comprehensive review of energy suppliers has been completed by Utiylx (a subsidiary of MITIE) which has enabled savings in energy use by comparing major energy suppliers' tariffs. With Utiylx we will identify new energy solutions that allow us to reduce energy costs, improve energy security and shrink our environmental footprint.

Acquisition of DX Freight - The acquisition of DX Freight has added a number of sites and collection and delivery routes to the business. We are working on a programme to consolidate, co-locate and close surplus sites which will result in reduced site energy usage and vehicle fuel consumption further reducing DX's CO₂ emissions in 2014 and beyond.

Estates management programme – over the past two years we have had a programme of co-locating sites resulting in reduced fuel costs and CO₂ emissions through the alignment of delivery and collection routes and a reduction in the number of operating sites. During the current year we expect to have closed and/or co-located a further eight sites.

DX Network Services Limited

Directors' report

Where appropriate all future buildings will be fitted with LED lighting and zoned heating, this will reduce the energy usage as will be evident from the installation of half hourly zoned electricity meters. The half hourly meters will enable us to measure usage accurately and plan for future energy saving initiatives.

Colleagues' involvement – all Colleagues are involved in reducing energy use with employee forums actively involved in producing posters and creating ideas.

Customers - we are encouraging our customers to use DX Despatch, an electronic means of providing us with freight collection manifests. Customers who are not willing to move from paper manifests to DX Despatch will be charged a surcharge. This initiative encourages our Customers to consider the effect paper has on the environment. We are also developing an electronic process for the production of waybills, which will further reduce the use of paper.

Waste management - we are currently reviewing our waste management strategy and suppliers. In the meantime we continue to act diligently in reducing our waste and ensuring where possible packaging used by ourselves and our Customers is recyclable.

Reduction of waste to landfill - the safe disposal of waste limits the volumes sent to landfill. Currently 83% of our waste is recycled and 5% is converted to energy.

The office environment – we continue to implement new approaches to reducing the environment impact in our offices. We have introduced printer management systems in all offices that facilitate document scanning which reduces paper and energy use.

Social responsibility and charitable activities

At the DX group our promise of commitment isn't just to our Customers. Whether it's reducing our environmental impact, helping less-developed overseas communities or encouraging equal opportunities, our commitment to social responsibility runs through everything we do.

We employ a culturally diverse workforce representative of the local population wherever we operate. So throughout our offices, depots and warehouses we're able to continue experiencing high levels of Colleague satisfaction and retention. In fact, we're always looking to improve our Customer care and to help those most in need.

Our two year partnership with the Teenage Cancer Trust ended during the year. Over this period DX Colleagues raised £116,000 for the Teenage Cancer Trust, including matched funding from DX. We have now begun a partnership with Scotty's Little Soldiers a charity dedicated to supporting the children of men and women killed in action while serving with the British Armed Forces. DX gives its support alongside many other fundraisers, funds for the charity are raised through events, donations, merchandising and corporate sponsorships. Children will receive letters, cards, gifts, tickets for events and even fees for local sports or activities. In the long term, they are aiming to buy a holiday home, so that families can take short breaks and enjoy building new, happy memories. DX Colleagues at all levels undertook a range of fund-raising activities during the year, generating £26,000 in donations. Living up to our previous commitment DX donated a further £25,000 to match these efforts after the year end.

For over 15 years we've worked with Vision Aid Overseas ('VAO'), a charity helping adults and children in developing countries gain access to eye care and spectacles. DX has delivered over 25 million pairs of glasses to VAO, now at a rate of more than 3 million per year. We estimate that the value of this service is £50,000 a year. The recycle value for VAO is roughly £200,000 a year (amounting to over £2 million since the start of our relationship with them), this is the equivalent of a fifth of VAO's total revenue. DX also delivers fundraising and promotional material throughout the country free of charge.

Going concern

The directors have 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 in preparing the financial statements.

DX Network Services Limited

Directors' report

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements

Share capital

Details of the company's share capital are shown in note 15 to the financial statements

Directors

The directors at the end of the financial year were as follows

Petar Cvetkovic	Chief Executive Officer
Ian Pain	Chief Financial Officer

There have been no changes since the end of the year

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 2013 were 69 days (2012: 07 days)

Auditor

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 of which the company's auditor is 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 and to establish that the company's auditor is aware of that information

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

Pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG LLP will continue in office

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

DX Network Services Limited

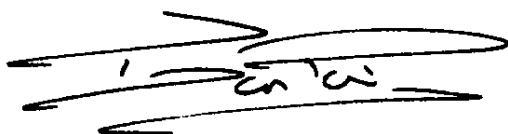
Directors' report

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

Approved by the board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Ian Pain', is written over a horizontal line.

Ian Pain
Director

16 January 2014

DX1 IVER

DX House
Ridgeway
Iver
Buckinghamshire SL0 9JQ

Registered in England and Wales No 05026914

DX Network Services Limited

Independent auditor's 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 2013 set out on pages 10 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DX Network Services Limited

Independent auditor's report to the members of DX Network Services Limited

Matters on which we are required to report by exception

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

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



Derek McAllan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Arlington Business Park

Theale

Reading RG7 4SD

21 January 2014

DX Network Services Limited**Profit and loss account
For the year ended 30 June 2013**

	Notes	2013 £m	2012 £m
Turnover:			
Mail and packets		69 6	70 6
Parcels		41 8	42 4
Logistics		8 6	10 8
Total turnover	2	120.0	123 8
Operating costs:			
Before goodwill amortisation		(97 7)	(98 5)
Goodwill amortisation	7	(4 1)	(4 2)
Total operating costs	3	(101 8)	(102 7)
Operating profit			
Before goodwill amortisation		22 3	25 3
Goodwill amortisation		(4 1)	(4 2)
Total operating profit		18 2	21 1
Finance income (net)	5	12 2	2 5
Profit on ordinary activities before taxation		30 4	23 6
Tax on profit on ordinary activities	6	(6 0)	(7 7)
Profit on ordinary activities after taxation			
Before goodwill amortisation		28 5	20 1
Goodwill amortisation		(4 1)	(4 2)
Profit for the year transferred to reserves	16	24 4	15 9

All results are derived from continuing operations

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

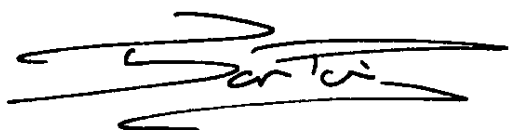
The notes on pages 12 to 23 form part of these financial statements

DX Network Services Limited

Balance sheet as at 30 June 2013

	Notes	2013 £m	2012 £m
Fixed assets:			
Goodwill		46 3	50 5
Negative goodwill		(0 2)	(0 3)
Intangible fixed assets	7	46 1	50 2
Tangible fixed assets	8	11 0	8 6
Investments	9	107 4	88 0
		164.5	146 8
Current assets			
Debtors	10	30 7	35 1
Cash at bank and in hand		31 0	18 1
		61 7	53 2
Creditors: amounts falling due within one year	11	(61 8)	(60 9)
Net current liabilities		(0.1)	(7 7)
Total assets less current liabilities		164 4	139.1
Creditors amounts falling due after more than one year	12	(28 3)	(27 2)
Provisions for liabilities and charges	13	(0 4)	(0 6)
Net assets		135 7	111 3
Capital and reserves			
Called up share capital	15	1 0	1 0
Profit and loss account	16	134 7	110 3
Shareholder's funds	16	135 7	111 3

The financial statements of DX Network Services Limited, registered number 05026914, were approved and authorised for issue by the board of directors on 16 January 2014 and signed on its behalf by



Ian Pain
Director

The notes on pages 12 to 23 form part of these financial statements

DX Network Services Limited

**Notes to the financial statements
for the year ended 30 June 2013**

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 2013. 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.

Going concern

The company's business activities and financial position, together with the factors likely to impact its future development, performance and position are set out in the directors' report on pages 2 and 3.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate, notwithstanding net current liabilities of £0.1 million, for the following reasons:

Included within 'Creditors: amounts due within one year' is £26.4 million of deferred income relating to Customer subscriptions. This amount does not represent a cash liability and will be released to the profit and loss account over the period of the subscription. This amount represents a service obligation and the directors foresee no reason why this obligation would not be fulfilled.

The company is currently forecasting to remain profitable and cash generative in the coming period which the directors believe will allow the company to settle its liabilities in full as they fall due.

The current economic conditions create uncertainty over the demand for the company's services, however, after careful consideration the directors have a reasonable expectation that the company will have access to adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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. Provision is made for any impairment.

Investments

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

**Notes to the financial statements
for the year ended 30 June 2013**

**1 Significant accounting policies
(continued)**

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
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.

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 assets of the scheme are held separately from those of the company in independently administered funds. 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.

Cash and liquid resources

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments which are capable of being realised at short notice with no impact on face value.

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.

DX Network Services Limited

Notes to the financial statements for the year ended 30 June 2013

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. As such further segmental information is not presented.

3 Operating costs

	2013 £m	2012 £m
Other external charges	61.6	64.9
Staff costs (see note 4)	27.9	26.5
Depreciation (owned assets)	3.4	3.2
Hire of plant – other rentals	0.3	0.3
Other operating lease rentals (including land and buildings)	4.5	4.5
Other operating income	-	(0.9)
Goodwill amortisation	4.1	4.2
Operating costs – excluding goodwill amortisation	97.7	98.5
Operating costs – goodwill amortisation	4.1	4.2
Total operating costs	101.8	102.7

Directors' and auditor's remuneration are included in a group management charge from the ultimate parent undertaking of £3.2 million (2012: £3.2 million), which is included in other external charges. Directors' remuneration of £1,211,000 (2012: £1,163,000) was paid by the ultimate parent company for services to the group. £28,500 (2012: £28,500) of the total group audit fee is attributable to the company.

Fees payable to the company's auditor for non-audit services were £nil (2012: £nil).

4 Staff costs

	2013 £m	2012 £m
Wages and salaries	25.2	23.9
Social security costs	2.3	2.2
Other pension costs	0.4	0.4
	27.9	26.5

Average number of persons employed

	2013 No	2012 No
Sales and marketing	108	119
Network	892	901
Management and administration	108	90
	1,108	1,110

DX Network Services Limited**Notes to the financial statements
for the year ended 30 June 2013**

5 Finance income (net)		
	2013 £m	2012 £m
Investment income	7.8	-
Interest receivable and similar income	6.1	4.3
Interest payable and similar charges	(1.7)	(1.8)
Finance income (net)	12.2	2.5
Investment income:		
Dividend received from subsidiary undertaking	7.8	-
Interest receivable and similar income:		
Group interest receivable	5.6	3.8
Bank deposits	0.5	0.5
Total interest receivable and similar income	6.1	4.3
Interest payable and similar charges:		
Group interest payable	(1.7)	(1.8)
Total interest payable and similar charges	(1.7)	(1.8)

In the year ended 30 June 2013 the company's subsidiary undertaking, DX Network Services Ireland Limited, declared a dividend of €9.0 million

6 Tax on profit on ordinary activities		
(a) Analysis of charge in year		
	2013 £m	2012 £m
Current tax:		
United Kingdom corporation tax		
Current year	1.8	2.8
Adjustments in respect of prior periods	(2.6)	1.8
	(0.8)	4.6
Group relief payable to group undertakings		
Current year	4.6	4.5
Adjustments in respect of prior periods	2.4	(0.7)
	7.0	3.8
Total current tax	6.2	8.4
Deferred tax		
Current year	0.4	0.6
Adjustments in respect of prior periods	(0.6)	(1.3)
Total deferred tax	(0.2)	(0.7)
Tax on profit on ordinary activities	6.0	7.7

DX Network Services Limited

**Notes to the financial statements
for the year ended 30 June 2013****6 Tax on profit on ordinary activities
(continued)****(b) Factors affecting the tax charge for year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%). The differences are explained below

	2013 £m	2012 £m
Profit before tax	30.4	23.6
Profit on ordinary activities before tax at the standard rate of UK corporation tax of 23.75% (2012: 25.5%)	7.2	6.0
Factors affecting charge for year		
Goodwill amortisation not eligible for tax relief	1.0	1.1
Adjustments in respect of prior periods	(2.6)	1.8
Depreciation and other amounts written off fixed assets for year in excess of capital allowances	0.1	0.2
Group dividend received	(1.8)	-
Tax losses surrendered by other group companies	(4.7)	(4.5)
Total amount of current year United Kingdom corporation tax	(0.8)	4.6

(c) Factors that may affect future tax charges

The 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, the December 2012 UK Autumn Statement announced a planned further reduction to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 30 June 2013 have been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the further rate reductions, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets and liabilities accordingly.

DX Network Services Limited**Notes to the financial statements
for the year ended 30 June 2013****7 Intangible fixed assets**

	Positive goodwill £m	Negative goodwill £m	Total £m
Cost:			
At 1 July 2012 and 30 June 2013	84.2	(0.7)	83.5
Amortisation			
At 1 July 2012	33.7	(0.4)	33.3
Charge for the year	4.2	(0.1)	4.1
At 30 June 2013	37.9	(0.5)	37.4
Net book value			
At 30 June 2013	46.3	(0.2)	46.1
At 30 June 2012	50.5	(0.3)	50.2

The negative goodwill relates to the original acquisition of the In-Night and PX Worldwide Licensing operations of Business Direct Limited on 1 September 2008

The negative goodwill is being written back over a period of 7.4 years which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated

8 Tangible fixed assets

	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 July 2012	8.1	38.4	46.5
Additions	0.2	5.6	5.8
At 30 June 2013	8.3	44.0	52.3
Depreciation:			
At 1 July 2012	6.6	31.3	37.9
Charge for the year	0.2	3.2	3.4
At 30 June 2013	6.8	34.5	41.3
Net book value			
At 30 June 2013	1.5	9.5	11.0
At 30 June 2012	1.5	7.1	8.6

DX Network Services Limited**Notes to the financial statements
for the year ended 30 June 2013****9 Investments**

	Shares in subsidiary companies £m	Loans to parent and fellow subsidiary companies £m	Loans to subsidiary companies £m	Total £m
Cost:				
At 1 July 2012	4.9	75.1	15.2	95.2
Net increases in the year	-	19.0	0.4	19.4
At 30 June 2013	4.9	94.1	15.6	114.6
Provisions:				
At 1 July 2012 and 30 June 2013	0.6	3.0	3.6	7.2
Net book value:				
At 30 June 2013	4.3	91.1	12.0	107.4
At 30 June 2012	4.3	72.1	11.6	88.0

Loans to parent and fellow subsidiary companies.

The company provides funding to other companies within the group to enable them to meet their debt servicing obligations. £19.0 million of funding was provided for this purpose during the year.

Loans to subsidiary companies:

On 13 March 2012 the company's subsidiary undertaking DX McBride Limited acquired the whole of the share capital of Ewenny Limited for a net cash outlay of £11.6 million to enable the DX Group to acquire DX Freight Limited (formerly Nightfreight (GB) Limited). Ewenny Limited is the parent undertaking of that company. DX Network Services Limited provided the funding to enable this acquisition.

At 30 June 2013 DX Network Services Limited owned 100% of each class of issued shares of the following companies:

	Principal activity
Directly owned	
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Mail services
DX McBride Limited	Intermediate holding company
DX Business Direct Limited	Dormant
DX Electronic Services Limited	Dormant
Indirectly owned	
DX Freight Limited (formerly Nightfreight (GB) Limited)	Express parcels delivery
Ewenny Limited	Intermediate holding company
QYJ Limited	Intermediate holding company

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 2013****10 Debtors**

	2013 £m	2012 £m
Trade debtors	14.5	23.9
Amounts owed by ultimate parent undertaking	0.2	0.1
Amounts owed by parent undertakings	0.3	0.4
Amounts owed by subsidiary undertakings	4.7	3.1
Amounts owed by fellow subsidiary undertakings	-	0.2
Corporation tax recoverable	1.3	-
Deferred tax (note 14)	0.9	0.7
Other debtors	2.0	0.8
Prepayments and accrued income	6.8	5.9
	30.7	35.1

The deferred tax asset is recoverable over a period of years as the related tax allowances are utilised

Included in other debtors are loans to directors and senior managers falling due after more than one year amounting to £1.6 million (2012 £0.5 million). Further details of loans to directors are provided in note 20.

11 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Trade creditors	2.3	0.2
Amounts owed to parent undertakings	0.2	0.2
Amounts owed to subsidiary undertakings	-	1.3
Amounts owed to fellow subsidiary undertakings	0.1	0.1
Group relief payable to group undertakings	22.9	20.2
Corporation tax	-	0.1
Other creditors	0.6	0.7
Accruals	9.3	11.6
Deferred income	26.4	26.5
	61.8	60.9

12 Creditors: amounts falling due after more than one year

	2013 £m	2012 £m
Loans from parent undertakings	15.8	14.8
Loans from subsidiary undertakings	5.7	8.9
Loan from fellow subsidiary undertaking	6.8	3.5
	28.3	27.2

The loans from other group companies bear interest at the blended interest rate payable by the group on its bank borrowings. The interest rate on each facility is LIBOR plus a margin which ranges from 2.25% to 8.25%, depending on the facility.

The loan from a subsidiary undertaking amounting to £2.2 million (2012 £5.3 million) is repayable no earlier than 16 January 2015. All other group loans are repayable no earlier than 1 August 2017.

DX Network Services Limited

**Notes to the financial statements
for the year ended 30 June 2013**

13 Provisions for liabilities and charges

	Integration costs £m	Other provisions £m	Total £m
At 1 July 2012	0.2	0.4	0.6
Utilised	(0.1)	(0.1)	(0.2)
At 30 June 2013	0.1	0.3	0.4

Integration cost provisions comprise the costs of vacated leased properties and are expected to be utilised over the period to November 2015

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

14 Deferred tax

	£m
At 1 July 2012	0.7
Credit for year	0.2
At 30 June 2013	0.9

Deferred tax is recognised as follows

	Recognised 2013 £m	2012 £m	Not recognised 2013 £m	2012 £m
Depreciation in excess of capital allowances	0.8	0.2	-	-
Other timing differences	0.1	0.3	-	-
Losses available	-	0.2	-	-
	0.9	0.7	-	-

15 Called up share capital

Allotted, called up and fully paid:

	No (000)	2013 £000	No (000)	2012 £000
Ordinary shares of 1p each	100,000	1,000	100,000	1,000

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

DX Network Services Limited

Notes to the financial statements for the year ended 30 June 2013

16 Shareholder's funds

	Called up share capital £m	Profit and loss account £m	Total £m
At 30 June 2011	1 0	94 4	95 4
Profit for the year	-	15 9	15 9
At 30 June 2012	1.0	110.3	111.3
Profit for the year	-	24 4	24 4
At 30 June 2013	1 0	134 7	135.7

17 Financial commitments

	2013 £m	2012 £m
Capital expenditure		
Contracted but not provided for	-	-
Annual commitments under operating leases:		
Land and buildings – leases which expire		
Within one year	1 4	0 5
Between two and five years	2 0	2 9
After five years	1 6	0 5
	5.0	3 9
Other – leases which expire		
Within one year	0 2	-
Between two and five years	0 3	0 4
	0.5	0.4

18 Contingencies

The company has provided a cross guarantee in respect of amounts outstanding under the group's UK overdraft facilities. The amount outstanding under these facilities at 30 June 2013 was £1 7 million (2012: £nil).

The company has also provided a cross guarantee in respect of amounts outstanding under the ultimate parent undertaking's £182 8 million third party senior borrowing facilities and £57 2 million related party mezzanine borrowing facilities and associated accrued interest, of which £246 0 million (2012: £244 1 million) was outstanding at 30 June 2013.

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.

DX Network Services Limited

**Notes to the financial statements
for the year ended 30 June 2013**

19 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 £0.4 million (2012: £0.3 million) represents contributions payable to this scheme by the company at rates specified in the rules of the schemes.

Contributions amounting to £0.1 million (2012: £0.1 million) were payable to the scheme and are included in creditors.

20 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.

During the year non-interest bearing loans totalling £525,000 (2012: £270,000) were made to the directors in connection with the group's management incentive plan. The loans are repayable no later than 30 June 2018.

	2013 £000	2012 £000
Amount outstanding at beginning of year	270	-
Maximum amount outstanding during the year	795	270
Amount outstanding at end of year	795	270

The company has trading relationships with Wasabi Frog Limited, a company in which P. Cvetkovic is a director and shareholder, and Parcel Monkey Limited, a company in which P. Cvetkovic is a shareholder. The following transactions took place with these companies during the year.

	2013 £000	2012 £000
Sales	1,490	1,171
Amounts owed to the company at the year end	153	124

All transactions were undertaken at arms' length and on normal commercial terms.

21 Events after the balance sheet date

Subsequent to the end of the year on 21 December 2013 the company completed the disposal of the trade and assets of its DX Business Direct trading activity. The consideration for the disposal was £5.5 million, of which £3.0 million was received on completion with £1.25 million receivable in June 2014 and £1.25 million receivable in December 2014. An estimated profit before tax of £1.3 million was realised on the disposal.

DX Network Services Limited

Notes to the financial statements for the year ended 30 June 2013

22 Ultimate parent undertaking and ultimate controlling party

In the opinion of the directors, the company's ultimate parent undertaking at 30 June 2013 was DX Group Holdings (Cayman) No 1 Limited, a company incorporated in the Cayman Islands whose registered office is 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P O Box 10338, Grand Cayman KY1 - 1003, Cayman Islands

Both the smallest and the largest group into which the company's results are consolidated is DX Group Limited, a company incorporated in England and Wales whose registered office is at DX House, Ridgeway, Iwer, Buckinghamshire SL0 9JQ. Copies of the annual report and financial statements of DX Group Limited may be obtained from the registered office.

In the opinion of the directors, the company's controlling party at 30 June 2013 was funds managed by Arle Capital Partners Limited.