

The logo consists of the letters 'DX' in a bold, white, sans-serif font, underlined, and centered within a solid black square.

**DX**

trusted • reliable • secure

## **DX Network Services Limited**

Report and financial statements  
for the year ended 30 June 2010

Company number 05026914

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**DX Network Services Limited**

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**Contents**

|                                   | <b>Page</b> |
|-----------------------------------|-------------|
| Directors and advisers            | 1           |
| Directors' report                 | 2           |
| Independent auditors' report      | 6           |
| Profit and loss account           | 8           |
| Balance sheet                     | 9           |
| Notes to the financial statements | 10          |

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## **DX Network Services Limited**

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### **Directors and advisers**

#### **Directors**

Petar Cvetkovic  
Ian Pain

#### **Company secretary**

Matthew O'Flynn

#### **Auditors**

Deloitte LLP  
Reading

#### **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**

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### **Directors' report**

The directors present their report and the audited financial statements for the year ended 30 June 2010

#### **Principal activity**

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

#### **Results and dividends**

The profit for the financial year after taxation was £18.5 million (2009 £12.4 million), after charging exceptional costs of £5.2 million (2009 £4.0 million) and goodwill amortisation of £4.2 million (2009 £4.2 million), and crediting a dividend received from a subsidiary undertaking of £8.8 million (2009 £nil). The directors do not recommend the payment of a dividend (2009 £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, 17,000 companies use the Document Exchange or DX Courier and Mail services to send time critical mail.

The company offers four main products

- DX Exchange - a business to business mail service that provides customers with significant cost and performance advantages over the Royal Mail first class and is delivered through a national network comprising over 25,000 boxes and 4,500 exchanges in the UK. The primary markets include the legal, government and financial services sectors.
- DX Courier - leverages synergies with the DX Exchange delivery infrastructure to create market leading cost advantages for packet delivery to branch networks in high street and retail park locations. The primary focus for packet delivery services is high street retailers and businesses that require regular scheduled deliveries to branch networks.
- DX Mail – a nationwide business to business mail service offering both next day and two day delivery options, serving a number of sectors including insurance and travel, and a nationwide service of business and professional publications for both next day and two/three day services, covering magazines, newsletters, company reports and training material.
- DX Secure - provides a highly secure nationwide collection and delivery courier service to DX Exchange customers.

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.

Volumes are sensitive to movements in the housing and retail sectors. The current economic recession has led to a reduction in volumes across all the product categories mainly impacted by these sectors.

Turnover decreased during the year by 8.2%

- Exchange revenues are particularly susceptible to changes in the housing market, and the Document Exchange billing model results in the effect of changes in volumes being seen in both the current and the following year. Although house sales in England and Wales are now increasing, the reduction in the prior year has resulted in Exchange turnover being 9.4% less than the previous year.
- Courier turnover comes from the movement of parcels and packets to and from high street locations. Reduced activity in the retail sector caused Courier turnover to decline by 4.5% compared to the previous year.
- Mail revenue reduced by 19.8%. Whilst volumes also declined in this product category, the company ceased delivering publications to areas that do not match its footprint, in order to reduce operating losses in this activity.

## **DX Network Services Limited**

### **Directors' report**

Operating profit before exceptional items and goodwill amortisation decreased as a percentage of turnover from 24.6% to 22.9%. The DX network has a high proportion of fixed costs, which cannot be reduced in response to declining volumes and revenues in the short term. Operating profit benefits from the activities undertaken during the current and previous year to improve the efficiency of the company's collection and delivery operations.

The main commercial risks that the business currently faces are

| <b>Risk</b>   | <b>How the risk is managed</b>   |
|---|--|
| Competition from Royal Mail and other mail providers          | By providing high levels of service quality at competitive prices, 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   |

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.

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

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

The DX Group aims to create a culture where people of all backgrounds and experience feel appreciated and valued. This is underpinned by the culturally diverse workforce employed by the company, which is representative of the local population in the areas where we operate.

The DX Group fulfils its legal obligations under the Sex Discrimination Act 1975, Equal Pay Act 1970 (as amended 2004), Race Relations Act 1976 (as amended 2000), the Disability Discrimination Act 1995, the Employment Equality (Sexuality) Regulations 2003, the Employment Equality (Religion or Belief) Regulations 2003 and other European Union Employment Directives, such as that covering age discrimination.

Not only do we ensure that our legal obligations are fulfilled but we strive to surpass these obligations through robust policies and programmes on recruitment, training, career development and promotion which are based solely on the ability of the individual and the needs of the group's business. These policies and programmes are available to all employees and are based solely on the ability of the individual and the needs of the group's business.

The company has a stakeholder pension scheme, and actively encourages participation in these schemes. The group continues to invest in its people with an ongoing programme of performance management, learning and development, and to offer a number of voluntary benefits to support employees' welfare. In addition, a programme of harmonising benefit offerings was undertaken in the last year to ensure that all employees are offered equal and competitive benefit packages, including a provision for death in service benefit for all eligible employees.

The group continues to have success as an accredited Institute of Leadership Management ('ILM') centre, running accredited programmes throughout the business.

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

## **DX Network Services Limited**

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### **Directors' report**

Each member of the management board takes personal responsibility for communicating with a part of the business. Employees are given opportunities to talk candidly with a member of the management board.

#### **The environment**

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

#### **Social responsibility**

Since 1997, DX has been providing a nationwide service conveying hundreds of boxes of recycled spectacles for Vision Aid Overseas. Vision Aid Overseas' work is focused on helping people in the developing world whose existence has been blighted by poor eyesight. Every month, DX makes dozens of collections of donated spectacles from opticians' practices in the United Kingdom and its regular deliveries result in an average of 1.1 million pairs of spectacles being delivered to Vision Aid Overseas' offices throughout the course of each year.

DX donates its services to allow Vision Aid Overseas to concentrate its funds directly on the projects it supports. Without a reliable delivery service that ensures the efficient and consistent collection of donated spectacles from across the country, Vision Aid Overseas' work would be severely hampered. DX is delighted to be able to help VAO make such a positive impact on so many people's lives.

#### **Subsequent event**

The trade and net assets of the company's subsidiary undertaking DX Business Direct Limited were acquired by the company with effect from 1 July 2010. The net assets were transferred at their book value of £4.6 million, which was considered to be equivalent to their fair values, through the inter company account.

#### **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.

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**

The company's authorised and issued 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 | Appointed 30 April 2010 |
| Ian Pain        | Chief Financial Officer |                         |

In addition to the above, Michael Stone served as a director until his resignation on 30 April 2010.

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 2010 were 3.6 days (2009: 10.8 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 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 and to establish that the company's auditors are aware of that information.

**Directors' report**

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

Deloitte LLP have indicated their willingness to be reappointed for another term

**Statement of 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). 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

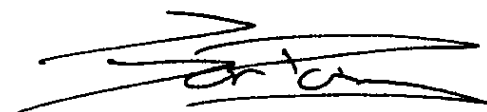
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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



Ian Pain  
Director

24 September 2010

DX House  
Ridgeway  
Iver  
Buckinghamshire SL0 9JQ

## **DX Network Services Limited**

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### **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 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 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**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **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 2010 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**

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### **Independent auditors' 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

*Mark Mullins*

#### **Mark Mullins (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Reading, United Kingdom

24 September 2010

**DX Network Services Limited****Profit and loss account  
For the year ended 30 June 2010**

|  | Notes | 2010<br>£m    | 2009<br>£m    |
|--|-------|---------------|---------------|
| <b>Turnover:</b>                                     |       |               |               |
| DX Exchange  |       | 62.3          | 68.8          |
| DX Courier   |       | 36.3          | 38.0          |
| DX Mail  |       | 6.9           | 8.6           |
| DX Secure  |       | 2.4           | 2.2           |
|  | 2     | <b>107.9</b>  | <b>117.6</b>  |
| <b>Operating costs:</b>                              |       |               |               |
| Before exceptional items and goodwill amortisation   |       | (83.2)        | (88.6)        |
| Exceptional items                                    | 5     | (5.2)         | (4.0)         |
| Goodwill amortisation                                |       | (4.2)         | (4.2)         |
| <b>Total operating costs</b>                         | 3     | <b>(92.6)</b> | <b>(96.8)</b> |
| <b>Operating profit:</b>                             |       |               |               |
| Before exceptional items and goodwill amortisation   |       | 24.7          | 29.0          |
| Exceptional items and goodwill amortisation          |       | (9.4)         | (8.2)         |
| <b>Total operating profit</b>                        |       | <b>15.3</b>   | <b>20.8</b>   |
| Finance income (net)                                 | 6     | 11.1          | 0.4           |
| <b>Profit on ordinary activities before taxation</b> |       | <b>26.4</b>   | <b>21.2</b>   |
| <b>Tax on profit on ordinary activities:</b>         |       |               |               |
| Before exceptional items and goodwill amortisation   |       | (8.0)         | (9.0)         |
| Exceptional items and goodwill amortisation          |       | 0.1           | 0.2           |
| <b>Total tax on profit on ordinary activities</b>    | 7     | <b>(7.9)</b>  | <b>(8.8)</b>  |
| <b>Profit on ordinary activities after taxation:</b> |       |               |               |
| Before exceptional items and goodwill amortisation   |       | 27.8          | 20.4          |
| Exceptional items and goodwill amortisation          |       | (9.3)         | (8.0)         |
| <b>Profit for the year transferred to reserves</b>   | 16    | <b>18.5</b>   | <b>12.4</b>   |

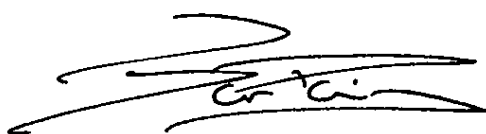
All results are derived from continuing operations

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.

**DX Network Services Limited****Balance sheet  
as at 30 June 2010**

|  | Notes | 2010<br>£m    | 2009<br>£m    |
|--|-------|---------------|---------------|
| <b>Fixed assets:</b>   |       |               |               |
| Intangible fixed assets  | 8     | 59 0          | 63 2          |
| Tangible fixed assets  | 9     | 5 5           | 7 2           |
| Investments  | 10    | 49 1          | 36 1          |
|  |       | <b>113 6</b>  | <b>106.5</b>  |
| <b>Current assets:</b>   |       |               |               |
| Debtors  | 11    | 34 0          | 30 4          |
| Cash at bank and in hand                                       |       | 11 2          | 1 4           |
|  |       | <b>45 2</b>   | <b>31 8</b>   |
| <b>Creditors</b> amounts falling due within one year           | 12    | (77 5)        | (66 8)        |
| <b>Net current liabilities</b>                                 |       | <b>(32.3)</b> | <b>(35 0)</b> |
| <b>Total assets less current liabilities</b>                   |       | <b>81 3</b>   | <b>71 5</b>   |
| <b>Creditors:</b> amounts falling due after more than one year | 13    | (3 1)         | (11 8)        |
| Provisions for liabilities and charges                         | 14    | (1 0)         | (1 0)         |
| <b>Net assets</b>  |       | <b>77 2</b>   | <b>58.7</b>   |
| <b>Capital and reserves</b>                                    |       |               |               |
| Called up share capital  | 15    | 1 0           | 1 0           |
| Profit and loss account  | 16    | 76 2          | 57 7          |
| <b>Shareholders' funds</b>                                     | 16    | <b>77 2</b>   | <b>58 7</b>   |

The financial statements of DX Network Services Limited, registered number 05026914, were approved and authorised for issue by the board of directors on 24 September 2010 and signed on its behalf by



**Ian Pain**

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**DX Network Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2010****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 2010. 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 affect its future development, performance and position are set out in the directors' report on pages 2 and 3.

The current economic conditions create uncertainty over the level of demand for the company's services.

The group agreed a capital and debt restructuring with its controlling party and its lenders on 19 July 2010. The company has net current liabilities and the directors have received a letter of continuing financial support from the company's ultimate parent undertaking, DX Group Limited.

After careful consideration of the outcome of the capital and debt restructuring and the letter of continuing financial support, 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 accounts.

**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 provision for impairment.

**Notes to the financial statements  
for the year ended 30 June 2010**

**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 |
|------------------------------|-------------|
| Land and buildings           |             |
| 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 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.

**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. As such further segmental information is not presented.

## DX Network Services Limited

### Notes to the financial statements for the year ended 30 June 2010

#### 3 Operating costs

|   | 2010<br>£m  | 2009<br>£m  |
|---|-------------|-------------|
| Other external charges – excluding exceptional items  | 51.9        | 56.5        |
| Other external charges – exceptional items *  | 0.1         | 0.4         |
| Other external charges – total  | 52.0        | 56.9        |
| Staff costs – excluding exceptional items   | 24.0        | 24.1        |
| Staff costs – exceptional items *   | 0.2         | 0.2         |
| Staff costs – total (see note 4)  | 24.2        | 24.3        |
| Depreciation (owned assets)   | 2.6         | 3.1         |
| Other amounts written off fixed assets – exceptional items *                                  | -           | 1.1         |
| Hire of plant – other rentals   | 0.5         | 0.5         |
| Other operating lease rentals (including land and buildings) –<br>excluding exceptional items | 4.2         | 4.4         |
| Other operating lease rentals (including land and buildings) –<br>exceptional items *         | -           | 0.1         |
| Other operating lease rentals (including land and buildings) - total                          | 4.2         | 4.5         |
| Goodwill amortisation   | 4.2         | 4.2         |
| Impairment charges – loans to subsidiary undertakings   | 4.6         | 2.0         |
| Impairment charges – amounts due from subsidiary undertakings                                 | 0.3         | 0.2         |
| Exceptional impairment charges – total *  | 4.9         | 2.2         |
| <b>Operating costs – excluding exceptional items and goodwill<br/>amortisation</b>            | <b>83.2</b> | <b>88.6</b> |
| <b>Operating costs – exceptional items and goodwill amortisation</b>                          | <b>9.4</b>  | <b>8.2</b>  |
| <b>Total operating costs</b>  | <b>92.6</b> | <b>96.8</b> |

\* an analysis of exceptional items is given in note 5

Directors' and auditors' remuneration are included in a group management charge from the ultimate parent undertaking of £2.7 million (2009 £1.8 million), which is included in other external charges. Directors' remuneration of £1,036,000 (2009 £614,000) was paid by the ultimate parent company for services to the group, and £32,500 (2009 £32,500) of the total audit fee is attributable to the company.

Fees payable to the company's auditors for non-audit services were £10,000 (2009 £1,000)

#### 4 Staff costs

|                       | 2010<br>£m  | 2009<br>£m  |
|-----------------------|-------------|-------------|
| Wages and salaries    | 21.9        | 22.0        |
| Social security costs | 2.0         | 2.0         |
| Other pension costs   | 0.3         | 0.3         |
|                       | <b>24.2</b> | <b>24.3</b> |

#### Average number of persons employed

|                               | 2010<br>No   | 2009<br>No   |
|-------------------------------|--------------|--------------|
| Sales and marketing           | 110          | 108          |
| Network                       | 930          | 939          |
| Management and administration | 106          | 105          |
|                               | <b>1,146</b> | <b>1,152</b> |

## DX Network Services Limited

### Notes to the financial statements for the year ended 30 June 2010

#### 5 Exceptional items

|                     | 2010<br>£m | 2009<br>£m |
|---------------------|------------|------------|
| Impairment charges  | 4.9        | 2.2        |
| Restructuring costs | 0.3        | 1.2        |
| Integration costs   | -          | 0.6        |
|                     | <b>5.2</b> | <b>4.0</b> |

The directors have reviewed the carrying values of the company's fixed assets, investments and related balances, and concluded that impairment charges of £4.9 million (2009 £2.2 million) are required to reflect changes during the current year. Loans to subsidiary undertakings have been impaired by £4.6 million (2009 £2.0 million), and other amounts due from subsidiary undertakings by £0.3 million (2009 £0.2 million).

During the year the company incurred £0.3 million (2009 £1.2 million) in restructuring its cost base and £nil (2009 £0.6 million) in integrating the business with that of its fellow subsidiary undertaking, Secure Mail Services Limited.

#### 6 Finance income (net)

|   | 2010<br>£m   | 2009<br>£m   |
|---|--------------|--------------|
| Investment income                                 | 8.8          | -            |
| Interest receivable and similar income            | 2.6          | 1.4          |
| Interest payable and similar charges              | (0.3)        | (1.0)        |
| <b>Finance income (net)</b>                       | <b>11.1</b>  | <b>0.4</b>   |
| <b>Investment income</b>                          |              |              |
| Dividend received from subsidiary undertaking     | <b>8.8</b>   | <b>-</b>     |
| <b>Interest receivable and similar income</b>     |              |              |
| Group interest receivable                         | 2.5          | 1.2          |
| Bank deposits                                     | -            | 0.2          |
| Other interest receivable                         | 0.1          | -            |
| <b>Total interest receivable</b>                  | <b>2.6</b>   | <b>1.4</b>   |
| <b>Interest payable and similar charges:</b>      |              |              |
| Group interest payable                            | (0.3)        | (0.8)        |
| Other interest payable                            | -            | (0.2)        |
| <b>Total interest payable and similar charges</b> | <b>(0.3)</b> | <b>(1.0)</b> |

On 6 August 2009 the company's subsidiary undertaking, DX Network Services Ireland Limited, declared a dividend of €10.0 million.

**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2010****7 Tax on profit on ordinary activities****(a) Analysis of charge in year**

|   | 2010<br>£m | 2009<br>£m |
|---|------------|------------|
| <b>Current tax</b>                          |            |            |
| United Kingdom corporation tax              | 7.9        | 9.0        |
| Deferred tax                                | -          | (0.2)      |
| <b>Tax on profit on ordinary activities</b> | <b>7.9</b> | <b>8.8</b> |

The exceptional items gave rise to a tax credit included above of £0.1 million (2009 £0.2 million)

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

|   | 2010<br>£m | 2009<br>£m |
|---|------------|------------|
| Profit before tax   | 26.4       | 21.2       |
| Profit on ordinary activities before tax at the standard rate of UK corporation tax of 28% (2009 28%) | 7.4        | 5.9        |
| <b>Factors affecting charge for year</b>  |            |            |
| Group dividend received   | (2.5)      | -          |
| Depreciation and other amounts written off fixed assets for year in excess of capital allowances      | 0.2        | 0.7        |
| Goodwill amortisation potentially not eligible for tax relief   | 1.2        | 1.2        |
| Impairment charges not eligible for tax relief  | 1.3        | 0.6        |
| Adjustments in respect of prior periods   | -          | 0.2        |
| Other   | 0.3        | 0.4        |
| <b>Total actual amount of current tax</b>   | <b>7.9</b> | <b>9.0</b> |

**8 Intangible fixed assets**

|                                 | Goodwill<br>£m |
|---------------------------------|----------------|
| <b>Cost.</b>                    |                |
| At 1 July 2009 and 30 June 2010 | 84.2           |
| <b>Amortisation.</b>            |                |
| At 1 July 2009                  | 21.0           |
| Charge for the year             | 4.2            |
| <b>At 30 June 2010</b>          | <b>25.2</b>    |
| <b>Net book value</b>           |                |
| At 30 June 2010                 | 59.0           |
| At 30 June 2009                 | 63.2           |



## DX Network Services Limited

### Notes to the financial statements for the year ended 30 June 2010

#### 9 Tangible fixed assets

|                        | Short<br>leasehold<br>land and<br>buildings<br>£m | Plant and<br>machinery<br>£m | Total<br>£m |
|------------------------|---|------------------------------|-------------|
| <b>Cost:</b>           |   |                              |             |
| At 1 July 2009         | 7.3   | 32.6                         | 39.9        |
| Additions              | 0.2   | 0.9                          | 1.1         |
| Disposals              | -   | (0.4)                        | (0.4)       |
| <b>At 30 June 2010</b> | <b>7.5</b>  | <b>33.1</b>                  | <b>40.6</b> |
| <b>Depreciation</b>    |   |                              |             |
| At 1 July 2009         | 5.1   | 27.6                         | 32.7        |
| Charge for the year    | 0.6   | 2.0                          | 2.6         |
| Disposals              | -   | (0.2)                        | (0.2)       |
| <b>At 30 June 2010</b> | <b>5.7</b>  | <b>29.4</b>                  | <b>35.1</b> |
| <b>Net book value</b>  |   |                              |             |
| <b>At 30 June 2010</b> | <b>1.8</b>  | <b>3.7</b>                   | <b>5.5</b>  |
| At 30 June 2009        | 2.2   | 5.0                          | 7.2         |

#### 10 Investments

|                                | Shares in<br>subsidiary<br>companies<br>£m | Loans to<br>parent<br>companies<br>£m | Loan to<br>subsidiary<br>company<br>£m | Total<br>£m |
|--------------------------------|--|---------------------------------------|--|-------------|
| <b>Cost.</b>                   |  |                                       |  |             |
| At 1 July 2009                 | 4.9  | 29.8                                  | 4.0                                    | 38.7        |
| Increases in the year          | -  | 17.2                                  | 0.4                                    | 17.6        |
| <b>At 30 June 2010</b>         | <b>4.9</b>                                 | <b>47.0</b>                           | <b>4.4</b>                             | <b>56.3</b> |
| <b>Provisions.</b>             |  |                                       |  |             |
| At 1 July 2009                 | 0.6  | 2.0                                   | -                                      | 2.6         |
| Impairment charge for the year | -  | 1.0                                   | 3.6                                    | 4.6         |
| <b>At 30 June 2010</b>         | <b>0.6</b>                                 | <b>3.0</b>                            | <b>3.6</b>                             | <b>7.2</b>  |
| <b>Net book value:</b>         |  |                                       |  |             |
| <b>At 30 June 2010</b>         | <b>4.3</b>                                 | <b>44.0</b>                           | <b>0.8</b>                             | <b>49.1</b> |
| At 30 June 2009                | 4.3  | 27.8                                  | 4.0                                    | 36.1        |

At 30 June 2010 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 Business Direct Limited   | Courier logistics  |
| DX Electronic Services Limited   | Dormant            |

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 2010

#### 11 Debtors

|  | 2010<br>£m  | 2009<br>£m  |
|--|-------------|-------------|
| Trade debtors                                  | 15.6        | 17.5        |
| Amounts owed by ultimate parent undertaking    | 3.5         | 2.7         |
| Amounts owed by immediate parent undertakings  | 4.3         | 0.9         |
| Amounts owed by subsidiary undertakings        | 3.8         | 0.4         |
| Amounts owed by fellow subsidiary undertakings | 1.0         | 2.0         |
| Other debtors                                  | -           | 0.1         |
| Prepayments and accrued income                 | 5.8         | 6.8         |
|  | <b>34.0</b> | <b>30.4</b> |

#### 12 Creditors: amounts falling due within one year

|  | 2010<br>£m  | 2009<br>£m  |
|--|-------------|-------------|
| Trade creditors                              | 0.8         | 2.8         |
| Amounts owed to immediate parent undertaking | 0.1         | -           |
| Amounts owed to subsidiary undertakings      | 0.9         | 0.7         |
| Corporation tax                              | 37.6        | 28.5        |
| Other taxes and social security costs        | 2.4         | 1.8         |
| Other creditors                              | 0.4         | 0.3         |
| Accruals                                     | 8.5         | 7.8         |
| Deferred income                              | 26.8        | 24.9        |
|  | <b>77.5</b> | <b>66.8</b> |

£32.1 million (2009: £24.5 million) of the Corporation tax creditor is payable to other group companies in the form of group relief.

#### 13 Creditors: amounts falling due after more than one year

|                                  | 2010<br>£m | 2009<br>£m  |
|----------------------------------|------------|-------------|
| Loan from subsidiary undertaking | 3.1        | 11.8        |
|                                  | <b>3.1</b> | <b>11.8</b> |

The loan from the subsidiary undertaking bears 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 is repayable no earlier than 24 September 2011.

#### 14 Provisions for liabilities and charges

|                                    | Integration<br>costs<br>£m | Other<br>provisions<br>£m | Total<br>£m |
|------------------------------------|----------------------------|---------------------------|-------------|
| At 1 July 2009                     | 0.4                        | 0.6                       | 1.0         |
| Utilised                           | (0.1)                      | (0.1)                     | (0.2)       |
| Charged to profit and loss account | 0.2                        | -                         | 0.2         |
| <b>At 30 June 2010</b>             | <b>0.5</b>                 | <b>0.5</b>                | <b>1.0</b>  |

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

**DX Network Services Limited****Notes to the financial statements  
for the year ended 30 June 2010****14 Provisions for liabilities and charges  
(continued)**

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

**15 Called up share capital****Authorised**

|                            | No (000) | 2010<br>£000 | No (000) | 2009<br>£000 |
|----------------------------|----------|--------------|----------|--------------|
| Ordinary shares of 1p each | 150,000  | 1,500        | 150,000  | 1,500        |

**Allotted, called up and fully paid:**

|                            | No (000) | 2010<br>£000 | No (000) | 2009<br>£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

**16 Shareholders' funds**

|                     | Called up<br>share<br>capital<br>£m | Profit and<br>loss account<br>£m | Total<br>£m |
|---------------------|-------------------------------------|----------------------------------|-------------|
| At 30 June 2008     | 1 0                                 | 45 3                             | 46 3        |
| Profit for the year | -                                   | 12 4                             | 12 4        |
| At 30 June 2009     | 1 0                                 | 57 7                             | 58 7        |
| Profit for the year | -                                   | 18 5                             | 18 5        |
| At 30 June 2010     | 1 0                                 | 76.2                             | 77 2        |

**17 Financial commitments**

|  | 2010<br>£m | 2009<br>£m |
|--|------------|------------|
| <b>Capital expenditure</b>                       |            |            |
| Contracted but not provided for                  | 0 1        | 0 3        |
| <b>Annual commitments under operating leases</b> |            |            |
| Land and buildings – leases which expire         |            |            |
| Within one year                                  | 0 2        | 0 3        |
| Between two and five years                       | 1 9        | 1 8        |
| After five years                                 | 0 9        | 1 2        |
|  | <b>3.0</b> | <b>3 3</b> |
| Other – leases which expire                      |            |            |
| Within one year                                  | 0 2        | -          |
| Between two and five years                       | 0 2        | 0 5        |
|  | <b>0 4</b> | <b>0.5</b> |

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**DX Network Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2010****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 2010 was £nil (2009 £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 £237.6 million (2009 £243.6 million) was outstanding at 30 June 2010.

At 30 June 2009 the company had entered into a bank guarantee facility in respect of property leases amounting to £0.1 million. This guarantee expired during the year.

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.

**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 £0.3 million (2009 £0.3 million) represents contributions payable to this scheme by the company at rates specified in the rules of the schemes.

**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.

**21 Subsequent events**

The trade and net assets of the company's subsidiary undertaking DX Business Direct Limited were acquired by the company with effect from 1 July 2010. The net assets were transferred at their book value of £4.6 million, which was considered to be equivalent to their fair values, through the inter company account.

The group agreed a capital and debt restructuring with its controlling party and lenders on 19 July 2010. Further details can be found in the consolidated financial statements of the ultimate parent company, DX Group Limited.

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

In the opinion of the directors, the company's ultimate parent undertaking at 30 June 2010 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.

In the opinion of the directors, the company's controlling party at 30 June 2010 was funds managed by Candover Partners Limited.