



DELIVERED EXACTLY™

DX Network Services Limited

Report and financial statements
for the year ended 30 June 2014

COMPANY NUMBER 05026914

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DX Network Services Limited

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Directors and advisers

Directors

Petar Cvetkovic
Ian Pain

Company secretary

Raquel McGrath

Auditor

KPMG LLP
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Bankers

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Solicitors

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Registered number

05026914

Strategic report

DX at a glance

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 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.

In February 2014 the DX Group was admitted to the AIM market of the London Stock Exchange and the company is now part of a publicly quoted group.

The company offers two main services.

Mail and Packets

DX Exchange

- private Members' B2B mail and parcel delivery network
- over 3,400 exchanges across the UK and over 16,600 Customer boxes
- primarily in legal, financial and public sectors, also used as a site-to-site internal mail network
- additional tracked mail services and tracked specimen deliveries for the health sector
- eDX allows users to send and share encrypted digital documents and emails

DX Mail

- low-cost, second-class mail alternative
- downstream access for small and large volume users
- online ordering system
- primarily in finance and insurance sectors

Parcels

DX Courier Tracked

- courier service specialising in next day B2B deliveries of packets, parcels and pouches
- primarily to branch networks, high streets, industrial areas and government premises
- pre-9am, pre-12pm and end-of-day delivery options
- specialist deliveries in pharmaceutical, optical, retail and gambling sectors

Logistics

In addition the company provided Logistics services to Customers until December 2013 when it disposed of the trade and operations of its DX Business Direct operation for a consideration of £5.5 million, of which £3.0 million was received on completion, £0.6 million in July 2014 and £0.6 million in September 2014. A further £1.25 million is receivable prior to June 2015. The gain on the disposal was £1.3 million.

Strategic report**Key performance indicators**

	Year ended 30 June		
	2014	2013	2012
Reported revenue (£m)	120.2	120.0	123.8
Revenue from ongoing activities (£m)	116.0	111.4	113.0
Reported EBITDA (£m)	27.8	25.7	28.4
Reported EBITDA margin (%)	23.1	21.4	22.9

Review of the business

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 increased by £0.2 million (0.2%) during the year (compared with a reduction of 3.1% in the previous year). Excluding revenue from the Logistics service that was sold halfway through the year, underlying, turnover increased by £4.6 million (4.1%), mainly due to a 10.3% increase in Parcels revenue.

DX improved profitability by achieving a reduction in operating costs (excluding depreciation, exceptional items and goodwill amortisation) of £1.9 million whilst revenue increased by £0.2 million. Earnings for the year before interest, tax, depreciation, amortisation and exceptional items increased as a percentage of turnover from 21.4% to 23.1%.

During the year the company received a dividend of £2.8 million (€3.4 million) (2013: £7.8 million (€9.0 million)) from its wholly owned subsidiary, DX Network Services Ireland Limited.

DX has implemented and delivered a number of efficiency programmes since 2010 to improve profitability and cash flows. The ongoing strategy is to provide an integrated offering under 'OneDX' with one brand, one network, one Customer proposition and one integrated software platform. The 'OneDX' board was created to manage, monitor and continually evaluate progress and to reprioritise and replan projects and investments accordingly with approval from the Group Board.

To further the development of the 'OneDX' concept the DX Group is consolidating all its UK operations into one legal entity, DX Network Services Limited:

- On 31 October 2014 the trade and net assets of DX Freight Limited were transferred into DX Network Services Limited. The book value of the assets transferred was £10.0 million and the fair value of the business was £25.4 million, resulting in an additional £15.4 million of goodwill being recognised in the company's accounts. DX Freight Limited provides Parcels and Freight and Logistics services and generated revenue of £143.7 million in the year ended 30 June 2014. The consideration was offset against amounts owed by DX Freight Limited to DX Network Services Limited.
- On 28 November 2014 the trade and net assets of DX Secure Limited were transferred to DX Network Services Limited at their book value of £16,000 also considered to be the fair value. DX Secure Limited provides Mail and Packets services and generated revenue of £40.0 million in the year ended 30 June 2014. The consideration was added to amounts owed to DX Secure Limited by DX Network Services Limited.

Further post balance sheet events are disclosed in note 22

Colleague matters

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

Strategic report

DX aims to create a culture where colleagues of all backgrounds and experience feel appreciated and valued. This is underpinned by the culturally diverse workforce employed by the group which is representative of the local populations in the areas where we operate. In all cases the group fulfils its legal obligations under the Equality Act 2010.

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

The group continues to invest in its colleagues with ongoing programmes which focus on personal performance and learning and development. The group's commitment to colleague development can be demonstrated by 8,083 attendances to Learning and Development events in the year to June 2014. Our sales teams have also participated in a Customer focused sales training and coaching programme aimed at increasing their capability which has resulted in an increase in capability scores of 14% for sales colleagues and 8% for sales managers.

Our Customer Experience Teams are now based in our Service Centres to ensure that we are meeting the needs of our Customers on a local basis. These colleagues are supported by a specific programme of work-based learning which is a 12 month programme that leads to a national qualification in Customer Service. In addition, we have launched a pilot apprenticeship scheme within Customer Experience which has resulted in the recruitment of a small number of apprentices who benefit from a work based learning programme which will also lead to the achievement of a national qualification in Customer Service and the opportunity to gain invaluable work experience.

One of our key focuses over the last 12 months has been the legislative requirement for all colleagues who drive vehicles of 7.5 tonnes to hold a Driver Certificate of Professional Competence. Over 3,500 training days have been delivered which has resulted in the achievement of over 96% of our drivers gaining this qualification ahead of the Government deadline of September 2014.

All of these programmes have been key to maintaining our focus on our Customer and ensuring that we keep our Customer promise – Delivered Exactly.

All colleagues are offered a competitive benefit package, including a provision for death in service benefit, a number of voluntary benefits to support colleagues' welfare and the opportunity to participate in one of the group's stakeholder pension schemes.

Since Admission to AIM, most management colleagues have had the opportunity to participate in a Company Share Option Plan and all eligible colleagues in a SAYE, share save scheme, both of which provide an opportunity for our colleagues to personally participate in the success of our business.

The group encourages an active interest in company activities at all levels and seeks to receive and consider the views of colleagues over a wide range of subjects. This aim is achieved through a fully representative Colleague Partnership programme, ensuring two way communications and colleague involvement. Monthly news bulletins are distributed throughout the group and a quarterly newspaper is produced with a mixture of business and colleague news.

Environmental matters

As a delivery and logistics company we are aware of the impact we have on the environment and we are therefore always looking for ways to reduce our fuel consumption, and minimise the resultant emissions. We have been running non motorised cargo cycles in the centre of London which have 100% zero emissions using our partner Gnewt Cargo. Further gains have been made through co-locating service centres sites to replace a number of out of date sites to not only improve energy efficiency but also health and safety.

As part of the operational improvement initiatives we are in the final stages of selecting and rolling out a new route management technology which will optimise driver performance

Strategic report

through efficient route management meaning we use less fuel. The real benefits of this will be realised in the 2014/15 financial year. This new activity is reinforced through greater driver awareness and improvements in delivery performance have enabled DX to provide a positive year-on-year improvement. Our focus on carbon emissions has delivered some healthy results as we are seeing improvements to the level of CO2 emitted.

DX is continually looking for ways to improve waste management either through reduction and efficiencies or recycling, thereby sending less to landfill. To improve our performance in this area we have recently launched a new Secure Destruction service to our Exchange Customers to dispose of sensitive waste paper. The resultant shredding is sent for recycling and pulped. Waste recycling technology is being fitted into new or refurbished properties enabling a greater amount of recycling to be carried out in the future.

Social responsibility and charitable activities

DX recognises it has a large workforce and therefore must play a part in the community. This year has seen a number of site changes and we have worked very closely with the local community to encourage job opportunities. Working with Job Centre Plus we have also been able to help colleagues find new employment where we have closed sites, as part of our efficiency project. Our new Customer Service model has also placed new skills into our operational sites around the UK to provide a high quality Customer Service experience within the service centres themselves, ensuring that through close proximity to the items being handled we are able to gain a speedier response to questions and enquiries. This is further bolstered by a new apprenticeship scheme launched this year where we are bringing younger people into the organisation to deliver great service through an improved Customer experience which also leads to a qualification in Customers Services.

DX's chosen charities are Scotty's Little Soldiers and Vision Aid Overseas. We are now in our second year of sponsorship of 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 Scotty's are aiming to buy further holiday homes so that families can take short breaks and enjoy building new, happy memories. DX will be playing a key role in delivering funding in the coming year. DX colleagues at all levels undertook a range of fund-raising activities from 1 January 2013 to 31 December 2013, generating £29,855 in donations. Living up to our previous commitment, DX matched the funds raised. DX's contribution in the period covered by these accounts was £35,437.

For over 15 years we have 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 approximately £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.

Finally we also support our Customers and suppliers through donations or gifts to support their chosen charities.

Strategic report

Principal risks and uncertainties

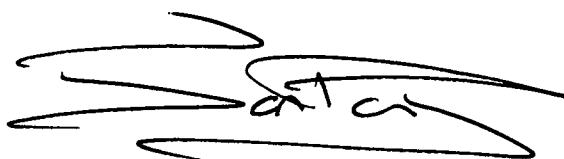
The main commercial risks that the business currently faces are:

<i>Risk</i>	<i>How the risk is managed</i>
The market for letters is expected to decline at a reducing rate over the next ten years, offset by an increase in volume in parcels, driven by the dramatic change in consumers' shopping habits	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
The parcel market in which DX operates is highly competitive	By providing high levels of Customer Service at prices that provide Customers with best value, maintaining strong relationships with major Customers and developing new services in response to Customer needs, and increasing the breadth of markets serviced and the penetration within these markets
The parcel market in which DX operates is highly regulated	DX through our Regulatory Affairs department maintains strong relationships with the regulator and forums. This enables DX to keep abreast of all regulatory and legislative changes and maintains controls and processes to ensure full compliance
DX's IT systems are critical to its business operations	DX has a Business Continuity Plan in the event of IT systems failure and further investment is being made to improve capability. The majority of systems are backed up off-site in disaster recovery facilities. Further protections are in place to defend against attacks to ensure that the systems cannot be breached. These protections are to a level acceptable to government departments. Significant testing in non-live environments is conducted prior to new systems going live
Certain DX consultants and agency workers could be deemed to be employees of DX	DX continues to monitor cases to ensure we keep ahead of the legislation and potential claims. Pay and benefits are regularly checked to ensure compliance and are altered where necessary

Interest rate risk is managed on a group basis.

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

By order of the board



Ian Pain
Director

12 December 2014

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2014.

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 £27.8 million (2013: £25.7 million).

The profit for the financial year after taxation was £11.7 million (2013: £24.4 million), after charging goodwill amortisation of £4.2 million (2013: £4.1 million) and crediting a dividend received from a subsidiary undertaking of £2.8 million (2013: £7.8 million).

On 30 June 2014 the company paid a final dividend of 5.5p per share, amounting to £5.5 million (2013: £nil).

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

Details of the company's share capital are shown in note 16 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 2014 were 4.6 days (2013: 6.9 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.

Directors' report

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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.

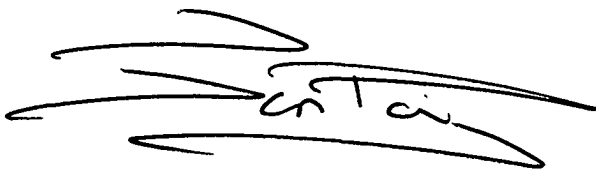
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies 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.

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

12 December 2014

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DX House
Ridgeway
Iver
Buckinghamshire SL0 9JQ

Registered in England and Wales No. 05026914



KPMG LLP

Arlington Business Park

Theale

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RG7 4SD

United Kingdom

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 2014 set out on pages 11 to 25. 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 8, 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 2014 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.

Independent auditor's report to the members of DX Network Services Limited (*continued*)

Matters on which we are required to report by exception

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

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



Derek McAllan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Arlington Business Park

Theale

Reading RG7 4SD

15th December 2014

DX Network Services Limited**Profit and loss account
For the year ended 30 June 2014**

	Notes	2014 £m	2013 £m
Turnover:			
Mail and packets		69.9	69.6
Parcels		46.1	41.8
Logistics		4.2	8.6
Total turnover	2	120.2	120.0
Operating costs:			
Before goodwill amortisation and exceptional items		(96.8)	(97.7)
Exceptional items	5	(8.7)	-
Goodwill amortisation		(4.2)	(4.1)
Total operating costs	3	(109.7)	(101.8)
Operating profit:			
Before goodwill amortisation and exceptional items		23.4	22.3
Goodwill amortisation and exceptional items		(12.9)	(4.1)
Total operating profit		10.5	18.2
Finance income (net)	6	7.3	12.2
Profit on ordinary activities before taxation		17.8	30.4
Tax on profit on ordinary activities	7	(6.1)	(6.0)
Profit on ordinary activities after taxation:			
Before goodwill amortisation and exceptional items		24.6	28.5
Goodwill amortisation and exceptional items		(12.9)	(4.1)
Profit for the year transferred to reserves	17	11.7	24.4

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.

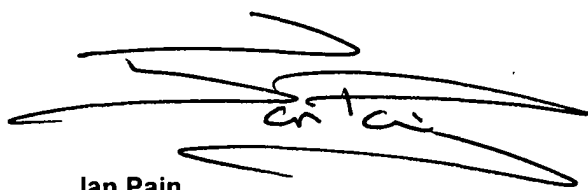
The notes on pages 13 to 25 form part of these financial statements.

DX Network Services Limited

Balance sheet as at 30 June 2014

	Notes	2014 £m	2013 £m
Fixed assets:			
Goodwill		42.1	46.3
Negative goodwill		-	(0.2)
Intangible fixed assets	8	42.1	46.1
Tangible fixed assets	9	12.2	11.0
Investments	10	144.9	107.4
		199.2	164.5
Current assets:			
Debtors	11	23.2	30.7
Cash at bank and in hand		-	31.0
		23.2	61.7
Creditors: amounts falling due within one year	12	(56.7)	(61.8)
Net current liabilities		(33.5)	(0.1)
Total assets less current liabilities		165.7	164.4
Creditors: amounts falling due after more than one year	13	(23.5)	(28.3)
Provisions for liabilities and charges	14	(0.3)	(0.4)
Net assets		141.9	135.7
Capital and reserves:			
Called up share capital	16	1.0	1.0
Profit and loss account	17	140.9	134.7
Shareholder's funds	17	141.9	135.7

The financial statements of DX Network Services Limited, registered number 05026914, were approved and authorised for issue by the board of directors on 12 December 2014 and signed on its behalf by:



Ian Pain
Director

The notes on pages 13 to 25 form part of these financial statements.

**Notes to the financial statements
for the year ended 30 June 2014**

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) plc which is incorporated in Great Britain and registered in England and Wales, and which has prepared consolidated financial statements to 30 June 2014. 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 strategic 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 £33.5 million, for the following reasons:

Included within 'Creditors: amounts due within one year' is £26.6 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.

Also included within 'Creditors: amounts due within one year' is £9.9 million of group relief payable to group undertakings. This amount also does not represent a cash liability and will be settled in due course by converting the appropriate amounts into non current group loans.

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.

**Notes to the financial statements
for the year ended 30 June 2014**

**1 Significant accounting policies
(continued)**

Investments

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

Tangible fixed assets

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

The following rates are used:	% per annum
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

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

**Notes to the financial statements
for the year ended 30 June 2014****1 Significant accounting policies
(continued)****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.

3 Operating costs

	2014 £m	2013 £m
Other external charges	60.4	61.6
Staff costs (see note 4)	27.6	27.9
Depreciation (owned assets)	4.4	3.4
Hire of plant – other rentals	0.3	0.3
Other operating lease rentals (including land and buildings)	4.2	4.5
Other operating income	(1.4)	-
Impairment charges (see note 5)	10.0	-
Goodwill amortisation	4.2	4.1
Total operating costs	109.7	101.8
Excluding goodwill amortisation and exceptional items	96.8	97.7
Goodwill amortisation and exceptional items	12.9	4.1
Total operating costs	109.7	101.8

An analysis of exceptional items is given in note 5.

Directors' and auditor's remuneration are included in a group management charge from the ultimate parent undertaking of £3.9 million (2013: £3.2 million), which is included in other external charges. Directors' remuneration of £1,378,000 (2013: £1,211,000) was paid by the ultimate parent company for services to the group. £28,500 (2013: £28,500) of the total group audit fee is attributable to the company.

Fees payable to the company's auditor for non-audit services in respect of the disposal of DX Business Direct were £20,300 (2013: £nil).

DX Network Services Limited

Notes to the financial statements for the year ended 30 June 2014

4 Staff costs

	2014 £m	2013 £m
Wages and salaries	24.9	25.2
Social security costs	2.3	2.3
Other pension costs	0.4	0.4
	27.6	27.9

Average number of persons employed:

	2014 No	2013 No
Sales and marketing	85	108
Network	810	892
Management and administration	118	108
	1,013	1,108

5 Exceptional items

	2014 £m	2013 £m
Impairment charges	10.0	-
Gain on disposal of DX Business Direct	(1.3)	-
Net exceptional items	8.7	-

Impairment charges

Following a capital reorganisation prior to the group's admission to the AIM market of the London Stock Exchange an amount of £10.0 million (2013: £9.7 million) was owed to the company by its former ultimate parent undertaking. As that company has no assets following the reorganisation this amount has been fully impaired in the year ended 30 June 2014 (2013: £nil).

Gain on disposal of DX Business Direct

On 21 December 2013 the company completed the disposal of the trade and assets of the DX Business Direct trading activity. The consideration for the disposal was £5.5 million, of which £3.0 million was received on completion and £0.6 million in July 2014. A further £0.6 million and £1.25 million is receivable in September and December 2014 respectively.

The net profit on the disposal was £1.3 million (2013: £nil).

DX Network Services Limited**Notes to the financial statements
for the year ended 30 June 2014****6 Finance income (net)**

	2014 £m	2013 £m
Investment income	2.8	7.8
Interest receivable and similar income	5.6	6.1
Interest payable and similar charges	(1.1)	(1.7)
Finance income (net)	7.3	12.2
Investment income:		
Dividend received from subsidiary undertaking	2.8	7.8
Interest receivable and similar income:		
Group interest receivable	5.4	5.6
Bank deposits	0.2	0.5
Total interest receivable and similar income	5.6	6.1
Interest payable and similar charges:		
Group interest payable	(1.1)	(1.7)
Total interest payable and similar charges	(1.1)	(1.7)

In the year ended 30 June 2014 the company's subsidiary undertaking, DX Network Services Ireland Limited, declared a dividend of €3.4 million (2013: €9.0 million).

7 Tax on profit on ordinary activities**(a) Analysis of charge in year**

	2014 £m	2013 £m
Current tax:		
United Kingdom corporation tax:		
Current year	2.2	1.8
Adjustments in respect of prior periods	(0.5)	(2.6)
	1.7	(0.8)
Group relief payable to group undertakings:		
Current year	4.5	4.6
Adjustments in respect of prior periods	0.1	2.4
	4.6	7.0
Total current tax	6.3	6.2
Deferred tax:		
Current year	(0.5)	0.4
Adjustments in respect of prior periods	0.3	(0.6)
Total deferred tax	(0.2)	(0.2)
Tax on profit on ordinary activities	6.1	6.0

**Notes to the financial statements
for the year ended 30 June 2014**

**7 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 22.50% (2013: 23.75%). The differences are explained below:

	2014 £m	2013 £m
Profit before tax	17.8	30.4
Profit on ordinary activities before tax at the standard rate of UK corporation tax of 22.50% (2013: 23.75%)	4.0	7.2
Factors affecting charge for year:		
Impairment charges	2.3	-
Goodwill amortisation not eligible for tax relief	0.9	1.0
Adjustments in respect of prior periods	(0.5)	(2.6)
Depreciation and other amounts written off fixed assets for year in excess of capital allowances	0.2	0.1
Gain on disposal of DX Business Direct	(0.3)	-
Group dividend received	(0.6)	(1.8)
Tax losses surrendered by other group companies	(4.6)	(4.7)
Other	0.3	
Total amount of current year United Kingdom corporation tax	1.7	(0.8)

(c) Factors that may affect future tax charges

The December 2012 UK Autumn Statement announced that the UK corporation tax rate would reduce to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that it will reduce to 20% by 2015. A reduction in the rate to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. 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 2014 have been calculated based on the rate of 20% 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.

Notes to the financial statements
for the year ended 30 June 2014**8 Intangible fixed assets**

	Positive goodwill £m	Negative goodwill £m	Total £m
Cost:			
At 1 July 2013	84.2	(0.7)	83.5
Disposals	-	0.7	0.7
At 30 June 2014	84.2	-	84.2
Amortisation			
At 1 July 2013	37.9	(0.5)	37.4
Charge for the year	4.2	-	4.2
Disposals	-	0.5	0.5
At 30 June 2014	42.1	-	42.1
Net book value:			
At 30 June 2014	42.1	-	42.1
At 30 June 2013	46.3	(0.2)	46.1

The negative goodwill related to the original acquisition of the In-Night and PX Worldwide Licensing operations of Business Direct Limited on 1 September 2008. This business was disposed of during the year (see note 5).

9 Tangible fixed assets

	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost:			
At 1 July 2013	8.3	44.0	52.3
Additions	1.0	6.5	7.5
Disposals	(0.1)	(4.6)	(4.7)
At 30 June 2014	9.2	45.9	55.1
Depreciation:			
At 1 July 2013	6.8	34.5	41.3
Charge for the year	0.3	4.1	4.4
Disposals	-	(2.8)	(2.8)
At 30 June 2014	7.1	35.8	42.9
Net book value:			
At 30 June 2014	2.1	10.1	12.2
At 30 June 2013	1.5	9.5	11.0

DX Network Services Limited

Notes to the financial statements for the year ended 30 June 2014

10 Investments

	Shares in subsidiary companies £m	Loans to parent and fellow subsidiary companies £m	Loans to subsidiary companies £m	Loans to former parent companies £000	Total £m
Cost:					
At 1 July 2013	4.9	94.1	15.6	-	114.6
Reclassification	-	(9.7)	-	9.7	-
Net increases in the year	2.4	20.5	24.3	0.3	47.5
At 30 June 2014	7.3	104.9	39.9	10.0	162.1
Provisions:					
At 1 July 2013	0.6	3.0	3.6	-	7.2
Charge for the year	-	-	-	10.0	10.0
At 30 June 2014	0.6	3.0	3.6	10.0	17.2
Net book value:					
At 30 June 2014	6.7	101.9	36.3	-	144.9
At 30 June 2013	4.3	91.1	12.0		107.4

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. £20.5 million of funding was provided for this purpose during the year.

Loans to subsidiary companies:

Amounts owing by DX Freight Limited amounting to £23.5 million were reclassified as loans during the year.

At 30 June 2014 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	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.

**Notes to the financial statements
for the year ended 30 June 2014****11 Debtors**

	2014 £m	2013 £m
Trade debtors	9.9	14.5
Amounts owed by ultimate parent undertaking	-	0.2
Amounts owed by parent undertakings	0.1	0.3
Amounts owed by subsidiary undertakings	1.5	4.7
Amounts owed by fellow subsidiary undertakings	1.6	-
Corporation tax recoverable	-	1.3
Deferred tax (note 15)	1.1	0.9
Other debtors	3.5	2.0
Prepayments and accrued income	5.5	6.8
	23.2	30.7

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

Included in other debtors at 30 June 2014 is an amount of £2.5 million (2013: £nil) due in respect of the disposal of the DX Business Direct trade, details of which are provided in note 6.

Included in other receivables at 30 June 2013 were loans to directors and senior managers falling due after more than one year amounting to £1.6 million (2014: £nil). All such loans have been repaid in full. Further details of loans to directors are provided in note 21.

12 Creditors: amounts falling due within one year

	2014 £m	2013 £m
Cash book balance	3.2	-
Trade creditors	1.8	2.3
Amounts owed to parent undertakings	0.1	0.2
Amounts owed to subsidiary undertakings	0.2	-
Amounts owed to fellow subsidiary undertakings	-	0.1
Group relief payable to group undertakings	9.9	22.9
Corporation tax	0.8	-
Other creditors	0.8	0.6
Accruals	13.3	9.3
Deferred income	26.6	26.4
	56.7	61.8

13 Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Loan from ultimate parent undertaking	8.0	-
Loans from former parent undertakings	-	15.8
Loans from subsidiary undertakings	0.7	5.7
Loan from fellow subsidiary undertaking	14.8	6.8
	23.5	28.3

**Notes to the financial statements
for the year ended 30 June 2014**

**13 Creditors: amounts falling due after more than one year
(continued)**

The loans from other group companies bear interest at the blended interest rate payable by the group on its bank borrowings. The loan from a subsidiary undertaking amounting to £0.7 million (2013: £2.2 million) is repayable no earlier than 30 June 2016. All other group loans are repayable no earlier than 1 August 2020.

14 Provisions for liabilities and charges

	Integration costs £m	Other provisions £m	Total £m
At 1 July 2013	0.1	0.3	0.4
Utilised	(0.1)	-	(0.1)
At 30 June 2014	-	0.3	0.3

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 Deferred tax

	£m
At 1 July 2013	0.9
Credit for year	0.2
At 30 June 2014	1.1

Deferred tax is recognised as follows:

	Recognised 2014 £m	2013 £m	Not recognised 2014 £m	2013 £m
Depreciation in excess of capital allowances	1.0	0.8	-	-
Other timing differences	0.1	0.1	-	-
	1.1	0.9	-	-

16 Called up share capital

Allotted, called up and fully paid:

	No (000)	2014 £000	No (000)	2013 £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 2014****17 Shareholder's funds**

	Called up share capital £m	Profit and loss account £m	Total £m
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
Profit for the year	-	11.7	11.7
Dividend paid		(5.5)	(5.5)
At 30 June 2014	1.0	140.9	141.9

On 30 June 2014 the company paid a final dividend of 5.5p per share, amounting to £5.5 million (2013: £nil).

18 Financial commitments

	2014 £m	2013 £m
Capital expenditure:		
Contracted but not provided for	-	-
Annual commitments under operating leases:		
Land and buildings – leases which expire:		
Within one year	0.2	1.4
Between two and five years	2.7	2.0
After five years	1.3	1.6
	4.2	5.0
	2014 £m	2013 £m
Other – leases which expire:		
Within one year	0.1	0.2
Between two and five years	0.3	0.3
	0.4	0.5

19 Contingencies

The company has provided a cross guarantee in respect of amounts outstanding under the group's UK banking facilities. The amount outstanding under these facilities at 30 June 2014 was £nil (2013: £1.7 million).

The company has also provided cross guarantees in respect of amounts outstanding under the group's £10.0 million bank term loan facilities, of which £10.0 million was outstanding at 30 June 2014.

At 30 June 2013 the company had provided cross guarantees in respect of amounts outstanding under the ultimate parent undertaking's £182.8 million senior borrowing facilities and £57.2 million mezzanine borrowing facilities and associated accrued interest, of which £246.0 million was outstanding at that date.

**Notes to the financial statements
for the year ended 30 June 2014****19 Contingencies
(continued)**

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

20 Pension arrangements

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

The total cost charged to income of £0.4 million (2013: £0.4 million) represents contributions payable to this scheme by the company at rates specified in the rules of the schemes.

Contributions amounting to £0.4 million (2013: £0.1 million) were payable to the scheme and are included in creditors.

21 Related party transactions

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

Non-interest bearing loans were made to the directors in connection with the group's previous management incentive plan as follows:

	2014 £000	2013 £000
Amount outstanding at beginning of year	795	270
Maximum amount outstanding during the year	795	795
Amount outstanding at end of year	-	795

The loans were contractually repayable no later than 30 June 2018 but were repaid in full during the year.

The company has trading relationships with boohoo.com plc and Parcel Monkey Limited. P Cvetkovic was a director and shareholder of boohoo.com plc prior to its admission to AIM. He has subsequently resigned as a director of boohoo.com. P Cvetkovic was also a shareholder in Parcel Monkey Limited but disposed of his shares in Parcel Monkey Limited subsequent to the year end. The following transactions took place with these companies during the year:

	2014 £000	2013 £000
Sales	1,881	1,490
Amounts owed to the company at the year end	203	153

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

**Notes to the financial statements
for the year ended 30 June 2014**

22 Events after the balance sheet date

As part of the group's ongoing development of the 'OneDX' concept the trade and net assets of DX Freight Limited were transferred into DX Network Services Limited on 31 October 2014. The book value of the assets transferred was £10.0 million and the fair value of the business was £25.4 million, resulting in an additional £15.4 million of goodwill being recognised in the company's accounts. DX Freight Limited provides Parcels and Freight and Logistics services and generated revenue of £143.7 million in the year ended 30 June 2014. The consideration was offset against amounts owed by DX Freight Limited to DX Network Services Limited.

On 28 November 2014 the trade and net assets of DX Secure Limited were transferred to DX Network Services Limited at their book value of £16,000 also considered to be the fair value. DX Secure Limited provides Mail and Packets services and generated revenue of £40.0 million in the year ended 30 June 2014. The consideration was added to amounts owed to DX Secure Limited by DX Network Services Limited.

On 9th December 2014 the company acquired a 49.8% shareholding in Gnewt Cargo Limited ("Gnewt") for £1.75m paid in cash at completion. Gnewt is a fast growing environmentally friendly delivery service provider currently operating only in London. Gnewt operates a fleet of over 100 electric zero carbon emission cargo cycles and minivans. DX will be providing funding, expertise and core volumes with the intention of developing the Gnewt service offering in other UK cities. DX will appoint two representatives to the Board of Gnewt and will account for its interest as a minority interest.

23 Ultimate parent undertaking and ultimate controlling party

In the opinion of the directors, the company's ultimate parent undertaking and controlling party at 30 June 2014 was DX (Group) plc, a company incorporated in England and Wales whose registered office is at Ridgeway, Iver, Buckinghamshire SL0 9JQ.

DX (Group) plc is also both the smallest and the largest group into which the company's results are consolidated. Copies of the annual report and financial statements of DX (Group) plc may be obtained from the registered office.