Delivering change

CitySprint (UK) Group Ltd
Annual Report and Accounts 2015

CitySprint
We deliver

Our vision

To be the same day delivery partner of choice through the development of global, leading-edge technology platforms to innovate and further support our customers' distribution needs, across all our current and new markets.

Our brands

Our brands allow us to capture unique opportunities that exist within the logistics market.

CitySprint We deliver

Same day delivery group with specialisms in healthcare; retail; scheduled logistics; baggage repatriation and digital print, mailing and distribution

LastMileLink TECHNOLOGIES

Revolutionising last mile delivery technology

ON THE DOT

Providing 1-hour delivery timeslots for retailers and consumers

Who are we?

CitySprint is the UK's largest same day distribution company, providing flexible, reliable, cost-effective and technology driven courier and logistics services.

How do we do it?

We understand the important role technology plays in improving customer experience and continue to invest in leading-edge technology platforms that enable us to offer creative and innovative delivery services for our own business and our commercial partners.

Why do we do it?

The changing digital landscape is creating an increasing demand for delivery convenience and choice, particularly in key growth sectors such as retail and healthcare. We have been quick to recognise the shift in delivery expectations by developing cutting-edge technology that addresses consumer need.

Contents

Overview

CitySprint at a glance	02
Year in review	04
Chairman's statement	06

Strategic report

CEO's review	07
Market overview	12
Business model	14
Strategy	15
Innovation and technology	16
Customers	18
People	20
Key business activities	
> Healthcare	22
> Retail	24
> Scheduled Logistics and Other	26
ESG strategy	28

Governance

Board of Directors	30
Executive Team	32
Officers and professional advisers	34
Directors' report	35
Directors' responsibilities statement	37

Financial statements

Independent auditor's report	38
Consolidated statement of comprehensive income	39
Consolidated balance sheet	40
Company balance sheet	41
Consolidated statement of changes in equity	42
Company statement of changes in equity	42
Consolidated cash flow statement	43
Notes to the consolidated cash flow statement	44
Notes to the financial statements	45

For more information within this Annual Report

This Annual Report is also available on our website citysprint.co.uk/financialinformation

CitySprint at a glance

We have established ourselves as a market leader in the UK for time critical same day delivery.

Our services

Our services are primarily at the niche end of the distribution sector supporting critical delivery products across a range of vertical sectors.

SameDay Courier: ad hoc point-to-point delivery.

SameDay Logistics: regular scheduled collections including time specific delivery slots for clients across retail, healthcare, public sector and distribution.

NextDay & International: timed UK overnight deliveries and express overseas shipments.

Revenue by service

£66.3m

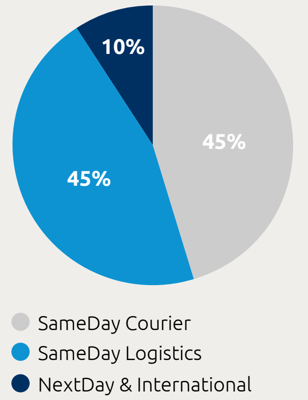
SameDay Courier
+15.1% (2014: £57.6m)

£66.1m

SameDay Logistics
+14.2% (2014: £57.9m)

£13.6m

NextDay & International
+7.9% (2014: £12.6m)



Our specialist market sectors

We are established in markets such as traditional courier services and pharmaceutical wholesale, whilst also being strongly positioned in high growth sectors such as healthcare, retail and engineering parts.

Revenue by sector

£90.8m

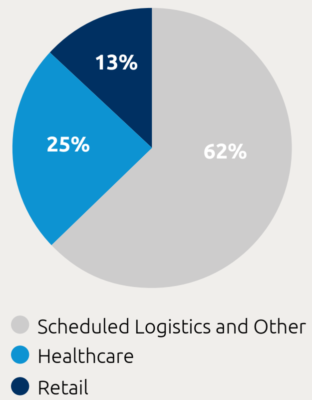
Scheduled Logistics and Other
+9.9% (2014: £82.6m)

£35.7m

Healthcare
+19.8% (2014: £29.8m)

£19.5m

Retail
+23.4% (2014: £15.8m)



Where we operate

Operating from 41 wholly owned service centres across the UK providing national coverage with the support of local knowledge.

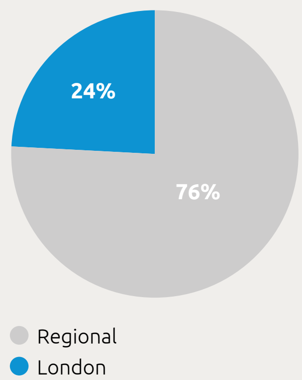
Revenue by geography

£111.3m

Regional
+13.1% (2014: £98.4m)

£34.7m

London
+16.4% (2014: £29.8m)



How do we create value?

Our scale, self-employed model and sector-leading technology make us unique in the same day market.

A combination of our flexible and asset light courier model; national network of local service centres; unrivalled range of services; and superior technology platform enables us to consistently create value for our customers.

More on our business model from page 14

What makes us different?

01 Largest same day courier fleet in the UK; London's largest pushbike fleet

02 Broad national coverage with the ability to reach 88% of the UK population in just 60 minutes

03 Network of 41 service centres each functioning as a local operation increasing flexibility and the ability to react dynamically to clients' needs

04 Unrivalled range of tailored same day services

05 Access to over 3,000 DBS-checked professional couriers

06 Business built on leading technology and infrastructure enabling control of the end-to-end customer experience

07 Market-leading position in established markets such as traditional courier services and pharmaceutical wholesale

08 Strongly positioned in growth sectors such as retail, healthcare and engineering parts

09 Flexible operating model ideally positioned to support the continuing shift to omni-channel

10 Proven and experienced management team driving strategy and execution

What are our strategic priorities?

We have a clear growth strategy that builds on the success of the last five years.

More on our strategic priorities from page 15

Investment in technology

to drive market-leading solutions particularly in pathology, community healthcare, online retail and specialist logistics

Focus on growth

in key market sectors such as healthcare and retail

Buy and build

in the same day market to expand geographic reach and service offering

Year in review

A year of successes.

Year in numbers

10m+
Over 10 million critical deliveries made

>99%
Success rate of >99% of items delivered first time

88%
Able to reach 88% of the UK population within 60 minutes

4
CitySprint expands with four acquisitions

20
20 partner retailers signed with On the dot™

10,000
Achieved 10,000 downloads of MyCourier app

Key achievements

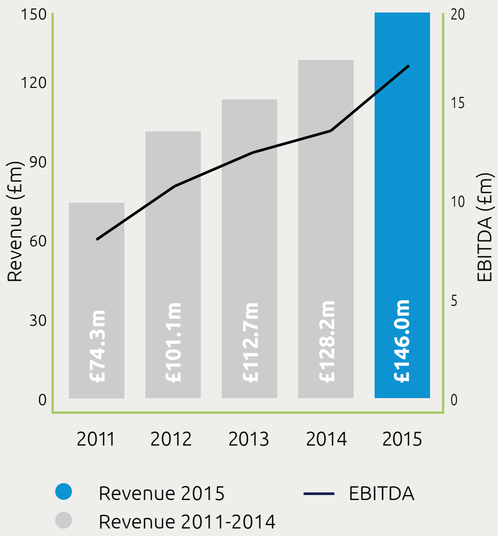
CitySprint achieved a number of key milestones in 2015, establishing LastMileLink Technologies and launching On the dot™.

- LastMileLink Technologies, the Group's technology accelerator, is established
- Gerard Keenan named Private Equity-Backed FD of the Year
- Launch of On the dot™ providing 1-hour delivery timeslots for retailers and consumers
- CitySprint wins nine awards, at the Institute of Couriers, National Courier Awards 2015
- London Contact Centre honoured with a series of wins at the prestigious Customer Voice Awards
- Roll-out of the National Telephone Switch providing the business with a more efficient call management system

Performance highlights

Another positive year has resulted in double-digit growth that demonstrates the strong cash generation from the Group and supports the continued investment back into the business.

Revenue vs. EBITDA performance



£146.0m

Revenue
+14.1% (2014: £128.2m)

£47.9m

Gross margin
+16.3% (2014: £41.2m)

32.8%

Gross margin
+0.6% (2014: 32.2%)

£16.8m

Underlying EBITDA*
+24.4% (2014: £13.5m)

£-1.9m

Loss
- 44.8% (2014: £-1.3m)

*EBITDA is defined as the operating profit before interest, taxation, depreciation, amortisation and non-recurring items.

What was the market backdrop?

CitySprint is uniquely positioned to take advantage of rapid volume growth in the UK same day market driven by the long-term trends in:

More on our market from page 12

- Immediacy and convenience
- Growth in sectors offering same day services
- Outsourcing of in-house fleets by both the public and private sector
- Increase in GDP underlying growth in business activity

78%

78% of consumers want same day shipping – efficiency is key to an exceptional customer service.

'State of Shipping in Commerce 2016', Temando

Chairman's statement

Another year of positive growth supported by a successful strategy and committed team.

Creating double-digit growth; fostering innovative technology; expanding into new markets; consolidating – and growing – a position as industry leader.

Most businesses would be proud to point to just one or two of these achievements as an annual success story. CitySprint, through the vision and determination of everyone in the Company, can look back at 2015 – and in fact the last five years – as a time in which it accomplished all of them.

CitySprint's leadership has grown EBITDA from £7.5 million in 2010 to £16.8 million in 2015; an increase of 124%, fuelled by a mix of organic growth and smart acquisitions that enhance the service offering. It is a strategy that the business is committed to sustaining over the next decade.

> **"CitySprint's leadership has grown EBITDA from £7.5 million in 2010 to £16.8 million in 2015; an increase of 124%.**

One of the management team's greatest successes has been their capacity to play to both established and high growth sectors. In the healthcare and retail markets in particular, customers have faced new challenges driven by step changes in the industry landscape such as rapid growth, shifting legislation, and the increasing demand for faster and more convenient deliveries. By anticipating and responding to these factors CitySprint has enabled its customers – and itself – to grow, and all the while continuing to lead the expanding same day market.

I will leave discussion of 2015's specific achievements to Patrick, but would like to take a moment to look to the future.

So many organisations claim to be forward thinking, but CitySprint has actively invested in technology that will allow it to meet the current and future needs of its customers. In fact, capital expenditure has tripled to maintain CitySprint's position as an innovator both in the delivery sector and in specialist segments that have high technical barriers to entry.

The same day sector is becoming increasingly crowded and competitive but CitySprint is ideally placed to capitalise on its growth. To do this, the business will build on its investment in technological innovation, introducing new and exciting services to the industry and sustaining the first class service it already offers. Above all, it will stay true to its customer-centric ethos, which is set by the management team and extends throughout our 41 service centres to our valued network of over 3,000 couriers.

Finally, I would like to thank everyone who has worked so hard to make CitySprint the leader in the same day market and for their continued enthusiasm and drive which has played such a critical part in the Company's financial and operational success.

David Burtenshaw
Chairman | 27 April 2016

Chief Executive Officer's review

Continuing to build on our position as market leader.

2015 saw the Group deliver another excellent performance as we continued to attract clients to our enhanced services and extended sector and geographic footprint.

This trend delivered growth of 14.1% in 2015 (2014: 13.3%), revenues to £146.0 million (2014: £128.2 million) and a strong underlying EBITDA of £16.8 million (2014: £13.5 million).

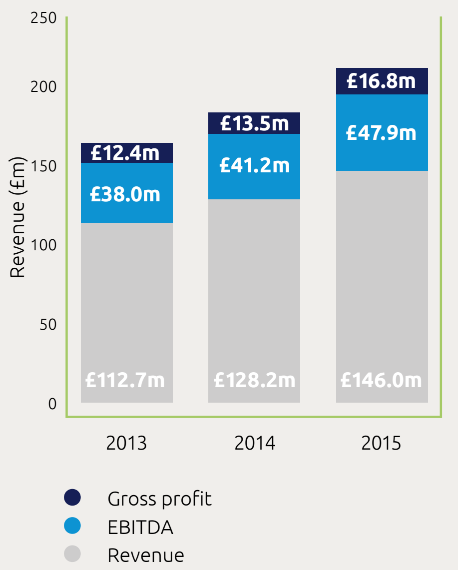
This performance is further testament to our strategy of building deeper, more valuable relationships with the clients we serve, and anticipating the needs of the sectors that we believe we can transform. This has been at the heart of our business for six years and it will continue to guide us in the future.

But of course our strategy would have remained just that without the diligent efforts of our people who strive every day to make a difference to our clients' businesses and I'm fortunate to have such a passionate and committed team around me. It has been inspiring to witness so much innovation in 2015 but as I describe later, we have a good deal more to be excited about in 2016.

Before we look forward, let me summarise our overall financial and operating performance in 2015:

> **"CitySprint operates with excellent financial resources and it is well positioned to continue to execute its strategy to grow the business both organically and through selected acquisitions.**

Revenue vs. gross profit



Chief Executive Officer's review (continued)

Financial summary of 2015 and key performance indicators

The Group identifies revenue and EBITDA growth as its key performance indicators

Record revenues for the year increased 14.1% to £146.0 million (2014: £128.2 million)

EBITDA, the key measure of the business increased by 24.4% to £16.8 million (2014: £13.5 million)

Increased revenues were a result of both organic growth and acquisitions

Continued organic growth across all business operations in key divisions operated by CitySprint Healthcare, CitySprint Retail and CitySprint Logistics

Ongoing investment in innovative technologies, expanding the Group's suite of products available to customers. This included development of CitySprint's On the dot™ delivery service that allows shoppers to specify their chosen 1-hour delivery window, seven days a week and was launched in 2015 to retailers with an open API to facilitate integration with e-commerce and EPOS systems

Continued acquisitions programme complementing the Group's organic growth:

- Four businesses successfully integrated into the Group during the year in line with our strategy to leverage CitySprint's business infrastructure

Key performance indicators

The key performance indicators of the Group are its revenue and EBITDA, which are described in the review of the financial summary to the left.

Results

Turnover for the year was 14.1% higher at £146.0 million (2014: £128.2 million) and EBITDA for the year was 24.4% higher at £16.8 million (2014: £13.5 million). Loss for the financial year was £1.9 million (2014: £1.3 million).

These are excellent results and once again demonstrate the strong cash generation from the Group, which supports the continued investment back into the business, in terms of our people and our technology. The business maintains excellent relationships with its banking partners and at the year end reported positively on all of its covenant tests under its most up-to-date lending agreements with RBS and Clydesdale Bank, who have most recently been joined by HSBC.

Our customers and market dynamics

The CitySprint network provides support to a diverse range of sectors including healthcare, retail and scheduled logistics, which have a growing demand to utilise CitySprint as their outsourced distribution provider for their same day deliveries. We discuss these sectors in more detail later in this report.

CitySprint is in a strong position to capitalise on the growth in a UK market not only across these existing customer segments but also across a number of emerging sectors. Here, we are looking to build on a nascent market share, in areas such as the growing pharmacy to consumer segment, and of course same day retail and food and beverage markets.

Operations

CitySprint achieved very strong organic growth, with increased levels of activity in each of the Company's core operations of Healthcare, Retail and Scheduled Logistics. In overall terms, there has been a good level of revenue growth across the Group's main regional areas and we have continued to build the regional network through selected acquisitions. It has been really encouraging that very good levels of like-for-like growth have been achieved over the last year and this is a great credit to the respective management teams in each of our 41 service centres across the UK, the operational staff and our outstanding courier base; a true force of over 3,000 people, offering a flexible delivery network that responds to time critical same day delivery requests 24 hours a day, seven days a week.

CitySprint is well placed as the UK market leader at the premium end of the growing UK market for outsourced, time critical and final mile delivery logistics.

We have created significant economies of scale across the business, which now operates through a national footprint of service centres, supporting a network of CitySprint couriers. Our network's footprint supports a delivery reach that positions CitySprint as the largest same day player in the UK market and, when placed alongside our leading-edge technology, our service capability allows us to reach 88% of the UK population within 60 minutes.

We have been very successful during 2015 in growing our customer base as increasingly businesses appreciate that CitySprint can deliver a compelling and sustainable resource that can support their business strategy, whether they are a single trader, multi-site SME or larger pan UK or international business.

CitySprint Healthcare – experience and innovation to meet healthcare logistics challenges

We understand the ever-changing demands on our modern healthcare service and the need to provide quality patient care cost effectively. We have a wealth of logistics and distribution experience, developed over the last 25 years, servicing the hospital and pharmaceutical sectors.

We provide a range of services through CitySprint Healthcare where we have continued to develop very strong revenue growth. These include pathology and specimen transportation, hospital logistics, home delivery of medications, and clinical trial and pharmaceutical logistics. The healthcare sector is a key focus for the management team and we continue to build the range of services in this area, supported by continued significant investment in technology and training.

CitySprint Retail – delivery technologies that meet the consumer's convenience factor

Today's consumer expects convenient deliveries designed to fit around their busy lifestyles. CitySprint Retail provides a range of services designed to meet the demands and challenges of the 21st century retail environment, from store replenishment to final mile logistics solutions, including time-specific home deliveries. We have developed a suite of flexible services that are designed to assist retailers deliver on the promise they make to their customers.

We have been pleased with the growth in our retail operations and also remain cognisant that this is a sector which demands high levels of service. It has always been our strategy to become a market leader in this area and we continue to invest significantly in developing our technology platform, most recently through On the dot™, and fully expect to see further innovations emerge from our technology incubator to support retailers and provide the best of breed services to the consumer.

CitySprint Scheduled Logistics – expertise to deliver on complex same day challenges

As we increasingly become the logistics partner of choice to many more businesses across the UK that require same day services, we deliver a full suite of solutions, which are carefully designed to meet the particular needs of different industries. Our commercial aim is to partner with our clients to turn their respective challenges into a real competitive advantage for their business by creating a supply chain for them that is both transparent and efficient and provides a fulfilment process, which is ably supported by leading-edge technology. These benefits can be clearly defined in the service to their clients.

Acquisitions

The management team completed four acquisitions during the year, each notable in its own right. In April 2015, we acquired Crisis Couriers adding a new service centre in Northampton to our UK network. In July, we acquired CJ Logistics and World Wide Logistics and both joined our Milton Keynes Service Centre. And finally, in November, we acquired Bexley Couriers adding a new Dartford service centre to our network. In addition, we also acquired the IP of our operations system from our Australian IT supplier in March 2015.

We have been very pleased with the way in which each new team coming into the business has embraced the process. The respective employees and management teams have risen to the challenge of change, and brought further incremental benefits to the overall business as a result, especially once each acquisition is completely integrated into our technology and network infrastructure.

Innovation and technology: revolutionising last mile delivery technology

The logistics industry has experienced enormous change in recent years with technology advancement at the centre of improving the customer experience. As a business that has always prided itself on providing market-leading systems, we have always acknowledged the key role that technology can play in a successful business. Equally, we are cognisant of the need to ensure we are continuously delivering innovation throughout the Group both in terms of the technology we employ and the processes that we deliver. We believe that this is really important for the same day distribution sector as a whole and the future of CitySprint.

Bringing flair, one of our four values, into every part of the operation is part and parcel of delivering on the future we want for the business, ensuring innovation, passion, imagination and creativity are firmly embedded into our working ethos. With technology evolving at a rapid pace and affecting everything we do in our everyday lives, flair has never been more critical and I am very pleased to say that it is something in no short supply within the Group. It is also demonstrated by the creation of a technology innovation capability within the Group which has a specific purpose to create and develop systems that focus on improving our business model.

Chief Executive Officer's review (continued)

Our Promise
Because every delivery matters

In November, we established a new business unit called 'LastMileLink Technologies', an independent business environment to promote an agile culture of creativity and to develop new leading-edge applications and platforms which can support the challenges of the future; the challenges of our clients to deliver improved customer experiences for their customers. The management team of this new unit has already been spearheading technology developments such as our e-commerce market-leading 1-hour delivery window product, On the dot™.

The new team is led by Santosh Sahu, who brings with him a wealth of proven experience having worked with Asda, Tesco and John Lewis logistics teams to develop multi-million pound supply chain strategies across South Asia, Europe and the USA.

Our people: delivering the CitySprint promise

Whether we are talking to customers with multi-site operations across the UK or small local businesses, the cornerstone of the CitySprint ethos is delivered by the people within our business, from Aberdeen to Plymouth and from Cardiff to Norwich, there are people that know the requirements of the local businesses around them and can also offer a broader perspective across our UK network and into our international service. Our customers benefit from local expertise and a national capability, which works across a very robust and intelligent technology base.

The success of the CitySprint business will continue to be driven by the important combination of the entrepreneurial spirit of our people who are enabled by the continued investment we make in innovative technology, allowing them to deliver excellent service to customers.

Strategic objectives

CitySprint is managed in a prudent and sustainable manner, minimising financial risk whilst providing a significant level of funding for investment back into the business.

CitySprint operates with excellent financial resources and it is well positioned to continue to execute its strategy to grow the business both organically and through selected acquisitions. CitySprint is also well positioned to develop further its customer base in key market segments, which include: Healthcare, Retail and Scheduled Logistics, whilst notwithstanding other potential opportunities within developing high growth logistics sectors and new territories.

It is the management team's intention to develop new customer segments both organically and through further acquisitions where it is appropriate to do so and, where the target acquisitions meet CitySprint's strict investment criteria.

It is always our aim to provide a positive working environment and culture for our employees and our commercial ethos is always to look for improvements in what we do, whether by technical innovation, new training methods or improvements in how we communicate across the CitySprint Group. We continue to look for working practices that benefit our employees, customers and couriers.

The success of CitySprint will continue to be driven by the entrepreneurial spirit of our people

We encourage promotion and development from within CitySprint and are delighted with the high level of retention rates amongst our key people. The positive and empowering culture within CitySprint also shows through to the clear focus we have on the customer experience. It has been a key factor when we have acquired and integrated businesses – the process of successfully integrating staff and maintaining focus on a new customer base – this is the ultimate measure of that success.

Management have determined that the principal risks and uncertainties facing the Group are the financial risks found in the Directors' report.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are described below.

Competitive risks

The Group operates in a very competitive market and some of the contracts it has are subject to periodic competitive tender. The Group has an experienced bid team, which has a high success rate and the Group is able to continue to offer competitive pricing through its investment in technology.

Derivatives

The exposure of the Group to interest rate movements is managed by the use of swap and cap agreements (see note 16 for details of the contracts in place). These swap and cap agreements are designed to ensure that interest costs are fixed and that associated costs can be controlled for cash flow purposes. Once put in place, it is expected that such instruments will be held until maturity. None of the derivatives are held speculatively.

Exposure to credit and liquidity risk

Cash flow risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swaps contracts to hedge these exposures. Interest bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses and the Group runs an effective credit control operation and limits individual trade debtors to appropriate credit levels based on their financial strength. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation through its operations, applying cash collection targets throughout the Group. The Group also manages liquidity risk via the receivables financing facility, fixed term loan and shareholder loan arrangements in place.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of these terms and abide by them. Trade creditors of the Group at 31 December 2015 were equivalent to 24 (2014: 38) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Current trading and future outlook

We had planned and anticipated strong growth during 2015. The current year is also benefiting from the momentum in organic growth that the Group is enjoying, both as a result of the ongoing investment programme across the CitySprint network, but centrally, as we continue to invest in new technology and our people – the two foundations of our business.

In addition, I am also delighted to confirm the post balance sheet date event, which is notable in its own right – the successful completion of a major round of new investment to support CitySprint's next stage of growth. LDC, the mid-market private equity firm, has bought a stake in CitySprint, whilst Dunedin, our cornerstone investor of over five years, has retained an equity stake in the business alongside the management team which has also retained a significant equity holding.

The new capital entirely supports the next stage in the Group's strategy; building on CitySprint's position in high growth, last mile retail and healthcare sectors. The investment also enables the Group to accelerate the development of innovative final mile delivery solutions in our LastMileLink Technologies division, while supporting the ongoing roll-out of CitySprint's On the dot™ retail and consumer brand – a delivery service allowing shoppers to choose a 1-hour delivery window, launched in 2015.

The investment cements CitySprint's first mover advantage in the same day market where it is the market leader. The Company is also strongly positioned in several specialist markets where there are high barriers to entry. The Group's focus on new technology solutions is aimed at capitalising on the growing £1.7 billion same day market opportunity in the UK.

In addition, we can report on the successful launch of our newly created LastMileLink Technologies division, as discussed in the Innovation and technology section.

LastMileLink Technologies is the Group's technology accelerator, supporting new product development and improving the delivery platform infrastructure, in line with the Group's growth strategy.

We can look forward to the current year and beyond with great optimism in the knowledge that CitySprint is on a clear pathway to achieve further significant growth as the leading provider in the UK same day logistics market.

I am delighted to say that we continue to build excellent relationships across a growing number of sectors in the UK. Indeed, we were pleased to once again produce our annual survey, polling business sentiment among the SME sector, gauging business optimism for the third year now, through our 'Collaborate UK' report.

Our thanks go to all of the stakeholders in the whole Group, as we welcome LDC as our new shareholder. We also thank our advisers and suppliers and our enlarged banking syndicate of RBS, Clydesdale and most recently, HSBC. Last but not least to our customers, employees and couriers. I look forward to an exciting year ahead in 2016.

Patrick Gallagher
Chief Executive Officer | 27 April 2016

“

Retail will change in many ways, but immediacy will have the biggest impact – our homes will replenish themselves; our packages will arrive hours after the order. It's only a matter of time before retailers evolve their business models to fully embrace this notion of immediacy.

David Dorf
Oracle Retail | August 2015

Market overview

The UK's same day market is currently estimated to be worth £1.7 billion across both the outsourced and insourced addressable markets.

With the continued trend to outsource same day delivery services, in both the public and private sectors, overall spend is set to increase. This is particularly apparent in the higher value specialist service areas with greater operational complexities and a requirement for a bespoke chain of custody.

Historically, the established outsourced market has grown by circa 4% per annum between 2010 and 2014 and more recently has accelerated as new segments, employing the outsourcing of same day logistics, grow more rapidly.

CitySprint is very well positioned to benefit from the most rapidly growing segments, including retail and healthcare markets where demand for both immediacy, convenience and custody chain tracking technology is increasing at pace.

Anticipated growth in the outsourced same day market is underpinned by a number of drivers.

01 **Demand for immediacy and convenience:** The long-term-mega-trend in 'immediacy', is driving a structural shift in customer expectations and increasing demand for faster and more convenient deliveries

02 **Service offering growth:** Growth in new and existing businesses seeking to differentiate through same day services – and choosing to fulfil them through an outsourced specialist

03 **Increased outsourcing:** Cost reduction objectives in both public and private sectors resulting in a switch to more cost-effective solutions for same day delivery

04 **Increased business activity:** GDP performance resulting in underlying growth of business activity

05 **Healthcare:** Healthcare is benefiting from specific tailwinds (ageing population, shift towards local community care and a desire to improve diagnoses with more samples)

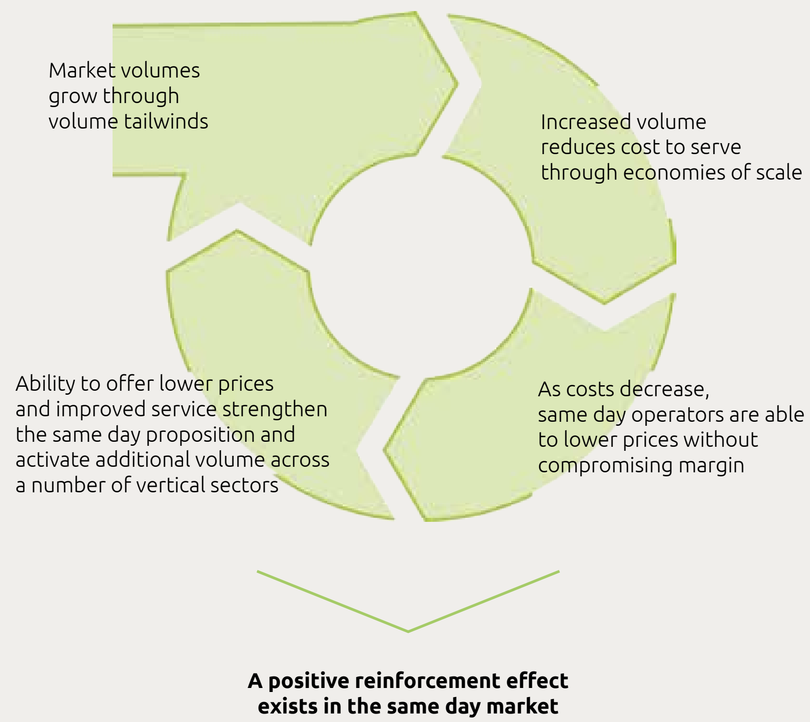
06 **Efficiency innovations:** Mobile workforce receiving parts and stock just-in-time and retailers optimising stock cost/availability across stores – both enabled by same day delivery

07 **Digitisation:** Transformational digital technology including the 'Internet of Things' is dramatically shifting consumer behaviour and business need to innovate ahead of competition

The evolution of technology over the past 10 to 15 years has shaped how consumers behave and interact with brands. This has led to an ongoing shift in consumer expectations for immediate services throughout their online and in-store experience.

Whilst a relatively low level of retailers have historically utilised the same day model, an increasing number are starting to offer same day delivery services as part of a suite of delivery options. More importantly leading retailers are using delivery as a key differentiator.

Virtuous circle in the same day delivery market



Business model

Providing flexible and innovative customer-focused services.

Our unique business model leverages our key strengths to maintain our position as the UK's leading same day delivery partner.

The business is delivered through an end-to-end process that is supported by market-leading technology and an experienced network of people, underpinning the development of more flexible and innovative customer-focused services. This helps us to create real value for our clients who benefit from competitive pricing and an excellent service quality.

Specialist coverage

Broad sector coverage with a focus on high growth areas such as retail, healthcare and specialist logistics

Established brand

A well recognised and established brand supported by over 13 years of experience

Asset light approach

A flexible, asset light approach enabling control of the end-to-end customer experience, whilst leveraging scale and efficiency benefits

Supported by:

Market-leading technology

Market-leading technology platforms and applications offering specialised solutions that address clients' needs

An experienced network

Dedication and commitment of a national network of over 700 customer-focused employees providing local knowledge and the delivery of a range of unrivalled same day services

High quality service offering

A high quality, flexible and cost efficient value added service offering to all our customers

Re-investment

Continued re-investment in growth and innovation

Strategy

A proven strategy for growth.

2015 saw the continuation of a successful strategy, delivered over the last five years, that is focused on:

- Buy and build in the same day market to expand geographic reach and service offering
- High growth in key sectors such as retail and healthcare
- Investment in technology to drive market-leading solutions, particularly in pathology, community healthcare, online retail and specialist logistics
- Organically growing our core business through service, value and innovation

Our strategy continues to be underpinned by a high level of service; carefully selected partnerships; a strong focus on our customers' needs and a robust financial discipline.

Buy and build

Adding scale in existing regions, expanding into new areas and offering capability and capacity in specialised delivery types.

Sector focus

Our leading market position in key vertical sectors places us in a strong position to capitalise on our own growth in both developing segments such as pathology and retail B2B, and nascent market segments, such as retail B2C, pharma B2C, and food and beverage.

Investment in technology

A strong technology capability and continued investment in innovative next generation delivery platforms that improve the customer experience.

Organic growth

Providing customers with a flexible, reliable and cost-effective service in the traditional courier and distribution markets.

£60m

Turnover
2010

Buy and build focus in SameDay Courier and development of the sector offering in Retail and Healthcare

£146m

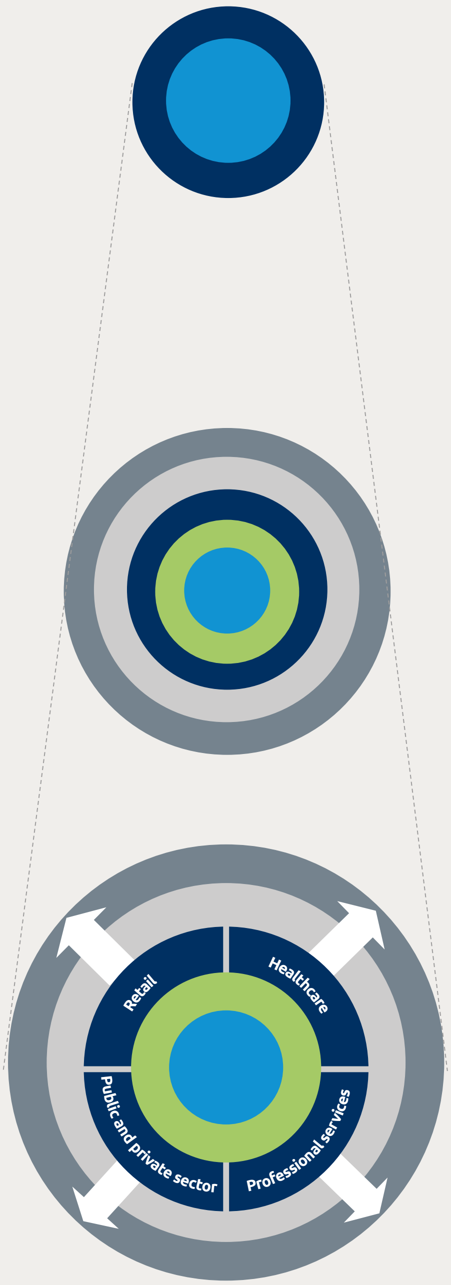
Turnover
2015

Investment in technology platforms to benefit from opportunities in pathology; community healthcare; online retail and specialist logistics combined with selective acquisitions in SameDay Courier

£271m

Turnover
2020

Opportunity to build a £270m+ group focused on mission critical, value added SameDay Courier and Logistics in high growth vertical sectors



- SameDay Courier
- SameDay Logistics
- Acquisitions
- Healthcare
- Retail

Innovation and technology

An exciting year of new development built on a history of innovation.

Our technology capability is core to our service differentiation. Combined with our service quality and fleet, it ensures efficient job allocation, accurate order tracking, bespoke services to specific sectors and most importantly product innovation.

We have invested significantly in our technology to support our leadership position, which will continue to be an important part of our growth strategy.

2015 has been an exciting and productive year with the development of a number of key technology products, the launch of our On the dot™ service and the establishment of our technology innovation accelerator, LastMileLink Technologies.

Smarter allocation initiative

As part of this strategy, we are investing in the update of our internal IT platform, developing a unique algorithm that will automatically recommend the most appropriate courier for a particular delivery. The algorithm will work based on set criteria such as vehicle type or delivery times and will anticipate both current and future demand, positioning our courier resource more efficiently. This service efficiency leads to improvements in the operation of our fleet and reduces mileage travelled and 'empty' miles.

Managed Service Portal

In 2015 we launched a new Managed Service Portal, providing clients with a web-based platform that offers users a choice of delivery suppliers in addition to our own. The portal selects the delivery providers best suited to a particular job for same day, next day and international services. This offering helps support our customers' need for flexibility and service management allowing them to streamline and save on their own multi-supplier administration and operational costs.

LastMileLink Technologies

In November we created a new division – LastMileLink Technologies – the Group's technology accelerator, supporting the development of innovative new products for CitySprint and improving the delivery platform infrastructure and service we offer our customers.

Created to disrupt the logistics and delivery space, LastMileLink Technologies will not only improve processes but will help overcome traditional last mile delivery challenges. The new business unit has spearheaded technology developments such as our e-commerce product, On the dot™ and our smarter allocation initiative.

LastMileLink TECHNOLOGIES

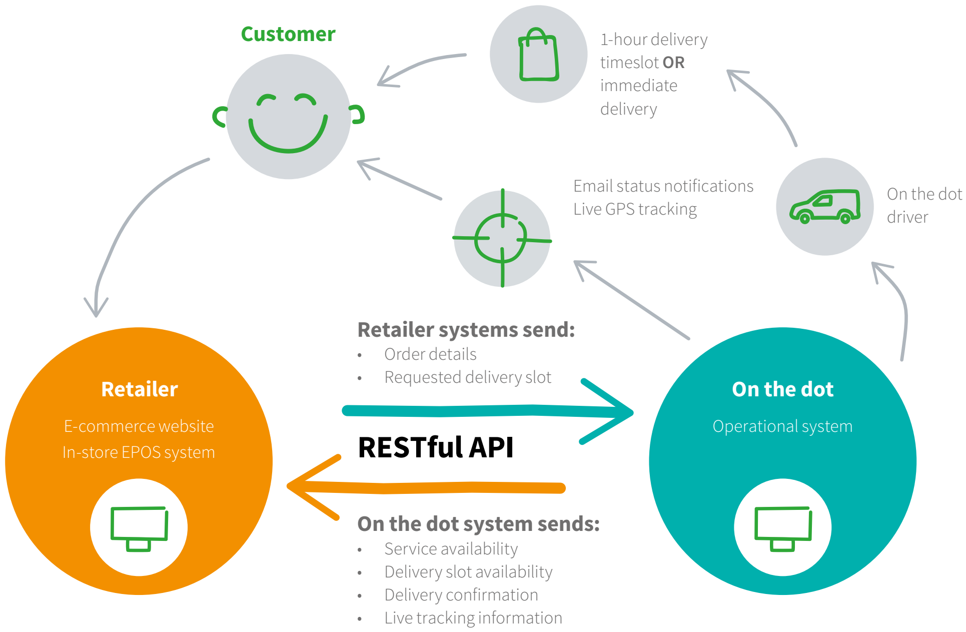
On the dot™

On the dot™, an innovative retail and consumer delivery service, was launched in 2015. The market-leading technology platform allows us to manage delivery capacity in a dynamic way, making 1-hour delivery timeslots visible to both retailers and shoppers based on factors such as customer and store locations.

Retailers can integrate the technology directly into their checkouts and EPOS via our RESTful API (application programme interface), both online and in-store. Once installed, retailers are able to receive and display dynamic timeslot availability and pricing, as well as live track deliveries from store to door using our GPS technology.

Our Retailer Portal is designed to make the booking process quick and easy for smaller retailers who choose not to integrate. The Portal enables stores to offer the service immediately via 'pay as you go' on demand bookings or by purchasing delivery bundles.

API integration



On the dot's™ specified 1-hour delivery technology, is available to retailers of all sizes across the UK, covering deliveries to 99% of the UK population

More on our On the dot™ service from page 24

CitySprint technology timeline

2002
CitySprint brand is created to become the UK's largest same day delivery company

2005
Launch of real-time GPS tracking for each delivery – an industry first

2008
Market-leading pathology sample tracking technology created

2008
Launch of CityBridge, a booking interface that allows customers to connect directly to CitySprint

2013
Release of the MyCourier app for instant quotes and booking

2013
Formation of the CitySprint Logistics Platform to enable route planning and automatic job allocation

2014
Creation of a centralised multi-supplier management platform – Independent Carrier Management System

2015
Launch of On the dot™, offering dynamic timeslot availability to retailers and consumers

2015
LastMileLink Technologies, CitySprint's technology incubator, established

Customers

Ensuring we put our customers first and continue to provide a high quality service.

Understanding our customers' priorities, issues and strategies is essential if we are to design delivery and logistics services to support their key objectives and business goals.

We must have an in-depth understanding of our customers, of their aspirations and concerns, and the factors that affect their choice of delivery partner. We must also know where we need to improve and be ready to take on board the valuable feedback that our customers provide.

Service innovation

Providing a high quality service, including consistent levels of first time delivery is important. To do this we must ensure we invest in the right technology to deliver real benefit to our customer's businesses. To remain the leader in the same day delivery market, the business must be supported by best in class technology and service orientated employees. We are constantly adapting our products and services to meet our customers' needs favouring those that will ultimately save them time and make their lives easier, with specified timeslots and even instant deliveries.

Customer experience

We are always looking to improve the customer experience and continue to invest and innovate, ensuring high standards are maintained. We recognise the importance of developing personalised and tailored relationships and place great emphasis on our account management team to deliver a high quality service at all times.

As part of our commitment to continuing to improve the customer experience, we have recently appointed a Head of Customer Experience and a number of Customer Care Champions whose primary role is to promote CitySprint's core values and best practice principles.

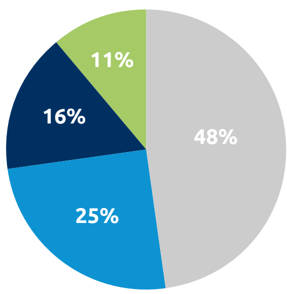
We offer our Customer Care Champions a bespoke training programme that provides them with the knowledge, skills and confidence to cascade these practices throughout the business, ensuring our customers are always at the forefront of what we do. We also regularly conduct client surveys to measure customer satisfaction.

Connecting with our customers

It is crucial that we are in touch with our customers and that we provide a variety of ways in which our clients can contact us. Customers are offered a full suite of job submission platforms allowing them to book a service over the phone, online (via our MyCourier app; citysprint.co.uk or onthedot.com), or for our larger clients, via one of our integrated systems enabling efficient order and internal cost allocation. This year we have also successfully completed the roll-out of the National Telephone Switch to all of our 41 service centres across the UK, providing an improved call service to our clients.

Social media is an increasingly important method of communication and we are always looking at ways to extend the number of platforms we offer. Currently customers are able to connect with us via Twitter, LinkedIn, our LiveChat function and the Contact us page on our website. We also have plans to extend our social media offering via Facebook and Instagram.

Booking volume by channel



Customer service awards

In 2015 we were honoured to receive several awards for customer service recognising both personnel and couriers. Our London Contact Centre won the team award for 'Best Small Contact Centre' in the logistics field at the Customer Voice Awards – an award that is judged purely on the basis of customer feedback – and was ranked in the top ten of the 'easiest to do business with' in the UK.

In an independent survey conducted on behalf of the Customer Voice Awards we were pleased to receive consistently high scores, with particular recognition given for our first call resolution and agent performance.

99.2%

First call resolution

92.0%

Agent performance

12,500+

Supporting a highly diverse customer base of over 12,500 clients

>99%

Success rate of >99% of items delivered first time

98%

98% of SLA (service level agreement) targets achieved

People

Our business is built on innovation, which is captured in the entrepreneurial spirit of our people.

Our people are key to our success, bringing our values to life and putting our strategy into action.

We are a dynamic company built on innovation, which relies on individuals with passion and creativity to help us adapt to the changing needs of our clients.

We value the talents, skills and capabilities of our people and are committed to providing an inclusive workplace with excellent opportunities for career progression, enabling every employee to realise their potential.

Recruiting and retaining talented people

We understand the importance of attracting, developing and retaining talent if we are to create a culture that reflects the core values that underpin everything we do: reliability, accountability, empathy and flair. Similarly, it is important that we recruit the right people that will help deliver our vision of being the same day delivery partner of choice and to ensure we have the capabilities and leaders in place to deliver our strategy.

During 2015, we created over 30 new roles and supported over 3,000 self-employed couriers. This increase, partly due to the four acquisitions that took place throughout the year as we welcomed existing staff and couriers to the CitySprint family, was also due to the creation of our new delivery technology company, LastMileLink Technologies.

Investing in our people

Our goal is always to hire, engage and retain the best people and provide them with the skills and training to help them develop their careers and deliver the highest level of service to our customers.

Training and development

We recognise that development drives both job satisfaction and company performance and offer a diverse range of training and development programmes across the business. Our specialist leadership programmes for senior management focus on strategy realisation and implementation, whilst all of our managers are provided with disciplinary and performance management training to ensure we are consistent in our approach across the Company.

A bespoke training programme for our Customer Care Champions provides them with the knowledge, skills and confidence to promote best practice and our core values throughout the business, ensuring our customers are always at the forefront. We also offer the opportunity for all of our employees to complete the nationally recognised NVQ qualification in a variety of different areas including business administration, warehousing, team leadership, IT, management and sales.

Through our apprenticeship programme we attract a valuable source of young but talented individuals employed on a full-time basis in key areas of the business such as HR, IT and marketing. We are proud to have been involved in the Advanced Apprenticeship Scheme in Business Administration, since 2013 providing valuable workplace experience to over 15 young people.

As well as training, we are currently working on rolling out an annual appraisal programme to ensure that every manager can play a key role in assisting their staff with their personal development.

“ I’ve worked for CitySprint for six years, starting as a courier. I love the busy environment and most of all that no day is the same. It’s a pleasure to work for a national company at the very top of their industry, who recognise good performance.

Steve Whiteside
Operations Manager | Bristol

Benefits

We offer a range of staff benefits, utilising the salary sacrifice scheme to ensure our employees get the best value for their money. As well as a pension fund, we offer childcare vouchers and the Ride2Work cycle purchase scheme. Employees are also entitled to Medicash, allowing them to claim back money for medical expenses and season ticket loans. For our senior management we also offer private healthcare.

700+

Over 700 employees work to achieve our strategic goals

3,000+

Access to over 3,000 professional couriers across our UK network

517

517 personnel completed a training course in 2015

43

Over the course of the year, 43 employees participated in the NVQ programme

15

Since 2013, CitySprint has supported 15 apprentices through the Advanced Apprenticeship Scheme

Couriers

Our self-employed, professional courier fleet of over 3,000 is the largest in the UK, nearly doubling in the past five years. We pride ourselves on offering excellent conditions for our couriers with flexible working hours, high earning potential, ongoing training and support that ranges from preferential rates for van hire and insurance to providing fuel cards. Our online portal, iFleet, contains all our courier information including licences, training and vehicle maintenance and ensures we are able to provide the correct level of support needed to each courier whilst working with us.

60%

Over 60% of our self-employed couriers have worked with us for more than two years

Each year, we award hard working individuals who excel in their work and effort to support the business with the Courier of the Year Award, which we have celebrated for over 10 years.

In 2015, nine of our couriers were recognised outside of the business at the Institute of Couriers, National Courier Awards 2015, which honours the best in the industry. We saw success in several categories, with management and customer service staff joining six couriers on the podium, more than any other company involved.

CitySprint cycle courier

“I’ve been a courier for over three years and have spent most of my career working as a self-employed cycle courier for CitySprint.

Whilst I love working on my own through the day, I also love the social side of the job, which is completely unique to the world of cycle couriers.

It is an unwritten rule that you nod your head at, or say hello to, every other cycle courier you pass in the street. Eventually you’ll be picking up, or dropping off, at the same place at the same time and that’s how everyone gets to know everyone else.

Of course there are some negatives to the job – as you would expect. Dealing with London traffic, irate drivers and the English weather isn’t always fun!

There aren’t many people who get to turn their passion into a living, so I do feel very lucky to get to do what I love every day, as well as working with a company that makes me feel valued and supported.

Georgina Evans
Cycle courier | London

CitySprint Healthcare

A leading private logistics partner for the UK healthcare industry.

CitySprint Healthcare is at the forefront of the evolution of the healthcare sector and has seen another successful year of growth with revenue reaching close to £40 million, representing almost a third of our business.

During the past couple of years the sector has changed at an unprecedented rate and scale, as the healthcare system is stretched to new levels with the increasing strain of an ageing population (expected to be close to 20 million aged 65 or over by 2050). There has also been a noticeable shift to localised community care, leading to a greater role for logistics providers.

Pharmacy and medication delivery

In response to the movement of healthcare provision into local communities, we provide couriers to support high street pharmacies deliver medicines to patients at home and in care homes. We have made significant investment in further up-skilling our team by increasing the number of specialist pharmacy trained couriers with over 2,000, operating within MHRA guidelines, across the network. These couriers work to support high street pharmacies and local communities, providing patients with greater access to their medicines.

Pharmaceutical wholesale

CitySprint Healthcare also has a dedicated team of experts focused on delivery solutions for the pharmaceutical wholesale market, including over the counter (OTC) products, finished products, sensitive clinical trial research materials and investigational drugs.

Hospital and emergency care

CitySprint Healthcare work closely with NHS foundation trusts: acute trusts, teaching hospitals and private hospitals in the provision of final mile delivery of consumables, medical devices and records and quick response transportation of transplant organs and blood.

Unless samples and specimens make it to the lab on time, successful analysis may not be possible. If these are delivered late, or lost completely, patient diagnosis could be delayed and new samples have to be taken. The window between collection and delivery is therefore critical and our barcode scanning technology means specimens cannot be misdelivered and can be tracked in real time.

2,000+

Over 2,000 GDP trained couriers

Technology innovation

Delivery technology can play a real part in the healthcare sector, improving patient access to medication. Expectations are also changing with patients thinking more like consumers and retail pharmacies becoming more commercialised. It is also changing how patients interact with healthcare services. The introduction of GS1 and its barcode requirements, the five-year forward plan and the CARTER report all highlight the fact that tracking technology needs to be a key element of how drugs are dispensed and administered.

PathTrak™

PathTrak™ is our GPS track and trace system providing a secure patient specimen collection and delivery management service. It offers full visibility through the highly secure transportation of sensitive items such as tissue samples, biopsies and fluids, which are often highly time and condition sensitive. PathTrak™ was further enhanced in 2015, to offer internal tracking within a single site, maximising transparency and making it an ideal partner to GS1 technology. Healthcare clients can track patient records and samples, not just from pick-up-point (e.g. a GP surgery) to drop-off at the hospital lab, but also from surgical theatre to ward within the same building. Similarly our PharmaTrak™ service utilises bar code and GPS technology to securely track and trace patient medications and medical devices.

Timeslot delivery

Our morning or afternoon and specific 1-hour timeslot delivery windows are becoming increasingly important as consumers drive new models of care from their mobile devices. This service is particularly beneficial for pharmacists who can ensure they serve their local customers flexibly and securely by offering defined time window delivery slots that are convenient to the patient.

Outlook

Key areas of growth for CitySprint Healthcare remain diagnostics and hospital logistics and pharmacy and clinical homecare. We continue to leverage our exceptional know-how in developing cutting-edge healthcare delivery solutions and deploying our smart technology. We aim to be the partner of choice for customers and patients and will develop innovative new products and services to enable us to develop existing markets whilst continuing to expand into new ones.

£35.7m

Revenue

55.5%

Revenue split by subdivision – Pharmaceutical

25%

Share of total revenue

45.5%

Revenue split by subdivision – Pathology

Lords at Home

As a growing local brand Lords at Home (Lords) prides itself on being able to offer customers a bespoke, high quality and fully personalised service. On the dot's specified hour delivery helped the retailer continue to stand out by adding value to their customer experience proposition.

On the dot™ technology has also helped Lords achieve operational efficiencies. Prior to outsourcing delivery, Lords had to use resources from other areas in the business. On the dot™ was able to offer a cost effective model that allowed the retailer to hand over delivery technology and logistics to a trusted partner, so that they could focus their resource elsewhere. This has led to a 528% increase in delivered sales since Lords started using the service.

“ On the dot™ has empowered us to offer customers a completely different level of delivery service and in turn improve customer experience. Putting the customer at the heart of every aspect of the shopping journey has paid dividends and our customers absolutely love the service.

Shaun Bridgeman
Head of e-commerce | Lords at Home

CitySprint Retail

Improving customer experience with convenient delivery.

CitySprint's Retail business had another excellent year with the further development of its offering of flexible delivery services to pure play, high street and multi-channel retailers – from store replenishment to final mile logistics and time specific home deliveries.

The retail revolution

Omni-channel shopping has given retailers many more ways to sell to consumers, but it has also nurtured the demand for ever-increasing levels of convenience and choice. Retailers are recognising customers' increasing demands for flexible delivery and using it as a valuable point of difference.

CitySprint are uniquely positioned to capitalise on the significant online growth and the associated changing logistical requirements seen in the retail sector through:

- The development of On the dot™, providing defined 1-hour delivery windows – an ideal retailer to consumer offering
- Our established same day infrastructure is in place to service demand. No other company in the UK is able to offer a same day national service
- Access to a fleet of over 3,000 DBS-checked couriers allowing us to scale up our service according to demand
- Full logistical capability to support same day stock movement

Specific timeslot delivery – On the dot™

Our innovative On the dot™ service helps omni-channel retailers give control and convenience back to consumers by offering a choice of 1-hour delivery timeslots. On the dot™ integrates directly into e-commerce websites to provide home delivery for online purchases or from electronic point of sales in-store. On the dot™ is also tailored to small and independent retailers. By creating an account online, independent retailers can offer the service immediately in-store or over the phone – a delivery feature that might otherwise only be available to larger retailers.

On the dot™ allows a retailer to offer convenient delivery to all of their customers. Whereas most timeslot deliveries are often within time frames selected by the retailer or carrier, On the dot™ lets the customer decide by selecting a delivery window best suited to them.

The service offers a number of benefits to retailers allowing them to protect their reputation and improve customer loyalty by building a unique retail experience around their customers' needs.

On the dot™ helps revolutionise the customer experience by:

- Increasing online conversion and average basket value
- Enhancing customer satisfaction and loyalty
- Delivering a competitive advantage over other retailers

On the dot™ can also be used as a flexible last mile solution for customers who 'click but don't collect', reducing the amount of stock abandoned in stores and saving retailers the cost of a refunded sale and shipping back to their distribution centre.

Outlook

Our retail operations have experienced a growth that we expect to continue into next year and beyond. We are pushing forward with our strategy to become a market leader in the sector and look to doubling our revenue in the next five years. We have made significant investment in developing our technology platform with the launch of On the dot™, and are determined to bring real change to the industry, providing innovative delivery and logistical services to both retailers and consumers.

£19.5m

Revenue

13%

Share of total revenue

60%

The percentage of customers who abandon their baskets because of delivery, whether due to cost, speed or convenience.

MetaPack, OC&C Consumer Survey.

CitySprint Scheduled Logistics and Other

Continuing to support our client's first and final mile distribution services.

Scheduled Logistics plays a pivotal role in CitySprint's business creating considerable revenue growth and developing new services, which improve margin contribution across key sectors.

CitySprint In-night

Our specialist In-night service is designed to meet the needs of a mobile workforce, providing just-in-time deliveries directly into engineers' vehicles or 'shop' locations, ensuring they have the correct product or parts needed before 8am. Collections of unwanted stock or faulty parts are also made at the point of delivery and returned for processing.

99%

99% of the UK reached before 7am and 100% of deliveries completed before 8am.

Clients have seen an immediate increase in productivity and operational efficiency as engineers save time and fuel travelling to collect parts, equipment or stock from a central location.

In-night is particularly well-aligned to the needs of the engineering and service parts sector but we are also focusing on other sectors such as domestic home appliances, maintenance, food and beverage and automotive where the service is well suited.

Partner logistics

A number of our clients have fixed infrastructures, which makes our flexible service offering, bespoke first and final mile logistics solutions and ability to deliver direct to the individual particularly valuable. Specialist supply chain companies leverage our network to enable rapid deployment into the field. Parts are stored at CitySprint service centres and delivered by same day couriers within timed delivery windows, enabling recipients to receive goods within two hours of placing an order.

Another CitySprint specialism is the collection and delivery of samples for testing in laboratories that are often fragile and temperature controlled. In a two-day process our couriers collect samples (often soil or water) from field engineers or unmanned locations that are then consolidated utilising our network of 41 service centres, for onward delivery to central testing laboratories.

Parts and engineering

The parts and engineering sector are seeing increasing demand as businesses seek efficiency gains from lower stock levels and higher staff productivity through just-in-time deliveries. Many parts distribution companies use CitySprint as a flexible and 'white label' extension of their own service offering. Same day automotive distribution is a great example of a collaborative approach where strategically placed warehouse operations are combined with just-in-time final mile logistics.

CityBags

Our CityBags business provides repatriation services for delayed luggage and lost property for over 70 airlines, including nine out of the 13 major airlines based at Heathrow Airport. Our onsite presence and airside clearance has uniquely positioned us to be able to service the sector across various airports throughout the UK.

We have seen considerable growth in the last year with major wins for a number of airlines, as well as extending our services into Northern Ireland.

CitySprint Document Solutions

New to the business in 2015 is our specialised digital print, mailing and distribution service.

Document Solutions has already made considerable investment in new equipment and technology in an effort to capitalise on growth opportunities, looking to increase revenue by 25% over the next 12 months.

Outlook

We will continue to support our clients' first and final mile delivery distribution services by adopting new leading-edge technology to drive further innovation. We also hope to expand our In-night service into new sectors with the aim of driving efficiency and improving service levels.

Stannah

Stannah are an independent family-run company with a strong engineering history who design and manufacture lifts, stairlifts and escalators.

As leaders in their market, Stannah needed a flexible delivery service to support their field engineers who had to travel long distances to their offices in Andover and Bristol to collect urgent parts, equipment and stock. Working in partnership with CitySprint, Stannah utilised our In-night service to collect items from Andover by 5pm and deliver into our Bristol Service Centre for sorting and labelling, ready to be sent out to locations within a 150 mile radius. CitySprint couriers then deliver directly into engineers' vehicles before 7am, providing them with the essential items needed for the next working day to achieve their clients' SLA agreements.

Since Stannah has started using our In-night service they have seen an immediate uplift in productivity, an increase in revenue and improved customer response times. Originally established as a trial from their Bristol office, Stannah are now looking to roll out the service nationally to an additional 12 sites within their Group.

£90.8m

Revenue

62%

Share of total revenue

ESG strategy

Putting sustainability at the forefront of our business.

We proactively manage our environmental, social and governance (ESG) strategy, as part of our broader responsibility to our clients and the communities in which we operate. We recognise that our approach can create real value and have a positive ethical impact on our corporate performance, local communities and society as a whole.

Reducing our impact on the environment

As a business we are committed to minimising the effect of our daily activities on the environment and supporting and promoting best environmental policies and practices wherever possible.

Our current targets to reduce our environmental impact include:

- 5% reduction in paper use across the business
- 100% roll-out of smart meters to all CitySprint service centres
- Recycling of 75% of all waste

Reducing emissions

Improved technology has helped us to enhance the efficiency of our operation, using smarter scheduling to reduce the number of miles and wasted journeys. We recognise, however, that the largest share of our emissions (in excess of 95%) are attributable to our fleet.

Diesel engines still represent the main option for delivery of same day courier services at a competitive price but we are continuing to work in partnership with our couriers and clients to find ways to reduce the emissions of our fleet. Key initiatives include the reduction of dead mileage; consolidating journeys travelling in the same direction; offering driver training in fuel efficient techniques; using the smallest vehicle for each delivery; selecting diesel engines that comply with Euro 5 standards or above, whilst continuing to remove older vehicles from our fleet and providing low or zero emission vehicles wherever possible.

20%

Our drivers save 15-20% on fuel after completing our one to one energy efficiency training in partnership with the Energy Saving Trust's ecodriving scheme.

Expanding our green fleet

Pushbikes are a core part of our business with over 90 cycle couriers in London at peak demand. These couriers cover the complete 40 square miles of London's congested central business district from Shepherd's Bush to Canary Wharf and not just the square mile.

We continue to explore new types of fleet and have a number of electric vehicles in central London. Although not always a viable option for every business, we are continuously working in partnership with our clients to determine where they make both financial and environmental sense. We have introduced mini vans for smaller deliveries as well as cargo bikes, able to hold a greater capacity than a normal pushbike whilst still being able to easily navigate busy city centres.

2016 also sees CitySprint exploring zero emission alternatives such as hydrogen vehicles to make vital deliveries within the heavily polluted centre of London without the negative effects on public health.

Environmental standards

CitySprint is certified to ISO 14001 standards, an important environmental management system, which supports the continuous improvement of energy consumption and waste management.

In 2015, we recycled over 200 tonnes of waste through service centre recycling collections, to avoid it going to landfill. All of our 41 service centres operate using green and renewable energy and we have taken additional steps to ensure our facilities have improved energy efficiency by refurbishing our sites and ensuring building work is undertaken with high levels of thermal insulation and LED lighting.

Change London

CitySprint is supporting a new initiative, 'Let's Make Air Pollution Visible', led by Deliver Change; a non-profit organisation focused on sustainable technology projects. The campaign aims to bring business, government and local communities together to help improve UK air quality. Currently in its initial stage, the initiative sees the organisation make use of a range of sensors placed around the country's major cities, which analyse pollution in the air, helping to inform and drive practical solutions to improve air quality.

This forms part of our continued support for the charity who we have partnered with for two years. We sponsor three of its AirSensa monitors, installed on our London Service Centre, providing real time air quality information. We also offer free logistical support to Change London to help them distribute pollution monitors throughout the capital.

CHANGE LONDON

Communities

Our support for local communities continues through our charity partnerships.

We partner with a number of charities including Crisis, the national charity for single homeless people, to utilise our established network to provide delivery support.

We have worked with Crisis since 2010, offering practical, year-round support from providing vehicles for the Crisis team to collect and distribute donations, to helping people move into permanent accommodation. We have also supported their vital work at Christmas through our service centres in London, Edinburgh, Birmingham, Coventry and Leeds.

We also actively support and encourage our employees who are involved with charitable causes, sponsoring both individuals and teams in their fundraising activities. As part of our ongoing charity commitments we established a sponsorship fund in 2015, to help provide equipment, kit and training materials for local sports teams that share our corporate values.

Corporate governance

The Board of CitySprint is committed to high standards of corporate governance operating with an independent chairman, two executive directors and two non-executive directors who meet regularly throughout the year. Additional meetings are held with the Executive Team to discuss the strategic and operational development of the business. The Board and Executive Team each met 11 times in 2015.

We place considerable value on the involvement of our employees and couriers in the business and use a number of ways to engage with our people on matters that impact them.

Employee communication and engagement

It is important that we encourage open dialogue with our employees, ensuring there is always formal two-way communication and that our people are engaged in their part of the business and its future direction.

Our bi-annual employee opinion survey is one of the principal tools for measuring employee engagement providing insight into employees' views on how we are performing as a business and what is most important to them. Our employee representative body has also helped to improve communication throughout the Company. Meeting on a quarterly basis, the Employee Forum is an opportunity for representatives to make a valuable contribution to CitySprint with suggestions such as an increase in holiday allowance being implemented. Both the employee survey and representative body help us identify areas where we can improve as an employer and encourage participation and consultation in the decisions we make.

95%

95% of respondents to our employee survey either strongly agreed or agreed that they are aware of and understand the aims of CitySprint as a Company.

Open communications channels such as face-to-face briefings, quarterly updates on our operational and financial results and our company-wide intranet, CitySprint's Employee Collaboration and Innovation Lab (CECIL) provide a vital source of company information and have further helped to increase employee engagement and communication across all our service centres.

Board of Directors

The Board is responsible for the long-term success of the Group, its strategy, values and governance.

The Board

The Board provides leadership of the Group, either directly or through the Executive Team, on matters such as strategy and performance. The Board sets the Group's strategic objectives and approves and monitors business plans and budgets submitted by the Executive Team and senior management.

The Executive Team

Under the direction and authority of the CEO, the Executive Team oversees the day-to-day running of the business, ensuring strategic co-ordination and alignment. It identifies strategic business development opportunities and monitors key projects across the Group, ensuring successful delivery of the business plan. The Executive Team is also responsible for the oversight and operation of the Group's principal business functions.

Board

Non-Executive Chairman, two Executive Directors (CEO & FD) and two Non-Executive Directors

CEO

Executive Team

CEO and six directors responsible for the Group's key business functions

Business functions

LastMileLink Technologies	Healthcare
IT	Operations
Finance	Logistics
HR	Client Services
Sales & Marketing	

David Burtenshaw | 64
Chairman

Relevant experience
Metapack, Chairman (2006 – 2011); EuroExpress, Chairman (2002 – 2006); LYNX Express, CEO (1994 – 2006); Federal Express, Managing Director Home Delivery Division (1979 – 1992)

Key achievements and responsibilities
- A strong track record in the logistics sector holding senior board positions for over 35 years
- Instrumental in the successful growth of CitySprint
- Managed the sale of Lynx to UPS in 2005

Patrick Gallagher | 49
Chief Executive Officer

Relevant experience
CitySprint, Managing Director (2002 – 2010); Dispatch Management Services Corp, Senior Vice President (1998 – 2001); Addison Lee, General Manager (1984 – 1998)

Key achievements and responsibilities
- 30 years' experience in the same day distribution industry in a career that includes managing a nationwide US same day distribution network for a public quoted company (NASDAQ)
- Named UK EY Entrepreneur of the Year for the London and South region and M&A Awards Dealmaker of the Year winner
- Led the successful management buyout of CitySprint in 2010 and a subsequent secondary MBO in 2016 valuing the business at £175 million

Gerard Keenan | 48
Finance Director

Relevant experience
TelecityGroup Plc (formerly Redbus Interhouse), Financial Controller (2001 – 2004); Qualified Chartered Accountant, FCA (1993)

Key achievements and responsibilities
- Responsible for the day-to-day company finances and the HR, IT, compliance and acquisitions functions
- Supported CitySprint's aggressive growth strategy by successfully refinancing the Group on four separate occasions (2005, 2007, 2011 and 2015) and assisted in two successful management buyouts in 2010 and 2016
- Led the successful acquisition and integration of 24 businesses into CitySprint
- Awarded Private Equity-Backed FD of the Year

Nicol Fraser | 48
Non-Executive Director

Relevant experience
Dunedin LLP, Partner (2001 – Present); Bridgepoint Capital, Investment Director (1996 – 2001)

Key achievements and responsibilities
- Overall responsibility for Dunedin's portfolio of investments
- Over 19 years of private equity experience
- Represents Dunedin on the boards of CitySprint; Formaplex, Kee Safety and Weldex

Nicholas Hoare | 34
Non-Executive Director

Relevant experience
Dunedin, Partner (2016), Chief Operating Officer (2007 – Present); Steeper Holdings, Non-Executive Director (2011 – Present); etc. venues, Investment Manager (2010 – 2012); Accenture, Consultant (2004 – 2007)

Key achievements and responsibilities
- Responsible for transacting deals across the UK with focus on business services and healthcare
- Involved in the buyouts of CitySprint; EV Offshore and Red; the refinancing of etc. venues and Steeper Holdings and the exit of etc. venues

Executive Team

Patrick Gallagher | 49
Chief Executive Officer

See page 31.

Gerard Keenan | 48
Finance Director

See page 31.

Paul Gisbourne | 43
Operations Director

Relevant experience
CitySprint, Regional Manager (2006 – 2010); UK Today Couriers, Regional Manager (2001 – 2006); TNT Specialist Services, Out of Hours Manager (1994 – 1998)

Key achievements and responsibilities
- Full commercial, operational and service delivery responsibility across all business lines
- Instrumental in the successful growth of CitySprint from £60 million to £150 million by strengthening the network with staff across all management levels, increasing fleet size (1,500 to 3,000 couriers) and enhancing the implementation process to absorb new revenues rapidly
- Created a courier platform streamlining workflow to couriers, optimising the national fleet to reduce empty courier miles, improving courier allocation and above all the customer experience

Justin Moore | 45
Sales & Marketing Director

Relevant experience
CitySprint, Regional Sales Manager (2007 – 2010); Amtrak Express, Customer Relationship Manager (1999 – 2005); DHL Express, Key Account Manager (1994 – 1999)

Key achievements and responsibilities
- Responsible for all areas of marketing, new business development and brand promotion
- Driving force behind improved new business revenue contribution to £7 million per year in five years
- Delivered the new Group brand identity in 2012 and new company-wide intranet in 2014
- Responsible for the On the dot™ branding, sales and marketing campaign in 2015

Darren Taylor | 45
Logistics Director

Relevant experience
CitySprint, General Manager – Regions (2007 – 2010); CitySprint, Regional Manager (1997 – 2007); Red Star Parcels, Depot Manager (1990 – 1997)

Key achievements and responsibilities
- Driving force behind the logistics revenue growth from 30% to 45% of CitySprint's business revenue (2010 vs. 2014)
- Track record of identifying opportunities and leading diversification into new sectors. Driven annualised run-rate growth of >300% (over £28 million) in the pharmacy delivery, parts logistics and retail sectors
- Spearheaded a new approach to solution design, establishing and implementing several new service types

Santosh Sahu | 36
CEO – LastMileLink Technologies

Relevant experience
Capgemini UK Plc (Digital Practice), Principal Digital Consultant (2012 – 2014); iForce Group Ltd, London (Logistics 3pl), Head of Software Development (2011 – 2013); Getz Bros & Co, London, FMCG distribution Strategy Manager (2008 – 2010); Pinna Consulting Limited (IT consultancy), Founder (2006 – 2007)

Key achievements and responsibilities
- Responsible for CitySprint's IT innovation under LastMileLink Technologies
- Led the design and delivery of On the dot™ defined window delivery slot platform
- Previous clients include Asda Logistics Services, John Lewis and Tesco to develop their supply chain strategies
- Broad global technology experience of working in South Asia, Europe and USA

Mike Timlett | 52
IT Director

Relevant experience
Securicor Omega Express, Customer Automation Manager (2000 – 2003)

Key achievements and responsibilities
- Responsible for development and implementation of all IT platforms and support across the Group
- Developed a three-year strategy to introduce leading-edge technologies and software
- Delivered over 30 new software developments in five years

Naomi Ward | 39
Client Services Director

Relevant experience
CitySprint, National Client Services Manager (2008 – 2011)

Key achievements and responsibilities
- Responsible for the delivery of the Group's customer experience strategy which touches over 12,500 clients across 41 locations
- Led a strategic project to source a new company-wide CRM system in 2013
- Introduced LiveChat and social media touch points to support a multi-channel contact centre

Officers and professional advisers

Directors
D J R Burtenshaw (Chairman)
P A Gallagher (Chief Executive)
N R P Fraser
N D S Hoare
G A M Keenan

Company Secretary
G A M Keenan

Registered office
Ground Floor
RedCentral
60 High Street
Redhill
Surrey
RH1 1SH

Bankers
The Royal Bank of Scotland PLC
280 Bishopsgate
London
EC2M 4RB

Clydesdale Bank
35 Regent Street
Piccadilly Circus
London
SW1Y 4ND

Solicitors
Squires Patton Boggs (UK) LLP
7 Devonshire Square
London
EC2M 4YH

Auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
Global House
Crawley
West Sussex
RH10 1DL

Directors' report

The directors present their annual report on the affairs of the Company and Group, together with the financial statements and auditor's report, for the year ended 31 December 2015.

Principal activities

The principal activities of the Group during the year were the provision of Same Day Courier services.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Chief Executive Officer's review on page 7 and can be found in the subsequent event note 22.

Research and development

During 2015 the Group continued to make significant investment in its IT platform.

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk management objectives, policies and key risks and uncertainties

The Group's activities expose it to a number of financial risks including competitive risks, cash flow risk, credit risk and liquidity risk. These areas are all reviewed on a regular basis and are detailed in the Chief Executive Officer's review.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Dividends

The directors do not recommend the payment of a final dividend.

Directors

The directors, who served throughout the year and to the date of approval of these financial statements, except as noted were as follows:

D J R Burtenshaw
N R P Fraser (resigned 18 February 2016)
P A Gallagher
N D S Hoare
G A M Keenan

Directors' indemnities

Directors' and officers' indemnity insurance was in place throughout the year and at the date of approval of these financial statements.

Charitable contributions

During the year the Group made charitable donations of £19,235 (2014: £3,052).

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group and the Company. This is achieved by having an ongoing policy of providing feedback to employees, not only on their individual performance, but on the performance of the business. To this end, the Chief Executive issues a regular newsletter and an annual conference is held with key employees attending.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that 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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

G A M Keenan
Director
27 April 2016

Registered office
Ground Floor
RedCentral
60 High Street
Redhill
Surrey
RH1 1SH

Directors' responsibilities statement

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), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.' 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 Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of CitySprint (UK) Group Limited

We have audited the financial statements of CitySprint (UK) Group Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, notes A to C to the Consolidated Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 the auditor

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 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

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 group's and the parent 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

James Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
27 April 2016

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	**146,015,505**	128,156,238
Cost of sales		**(98,116,259)**	(86,921,192)
Gross profit		**47,899,246**	41,235,046
Administrative expenses		**(44,949,277)**	(37,779,013)
Operating profit		**2,949,969**	3,456,033
Operating profit comprises:			
EBITDA		**16,765,643**	13,502,683
Non-recurring items	8	**(991,873)**	–
Depreciation		**(3,320,602)**	(2,419,831)
Amortisation		**(9,503,199)**	(7,626,819)
Finance costs (net)	7	**(4,547,140)**	(4,324,501)
Loss on ordinary activities before taxation	4	**(1,597,171)**	(868,468)
Tax on loss on ordinary activities	9	**(323,093)**	(457,974)
Loss for the financial year		**(1,920,264)**	(1,326,442)
Profit for the period attributable to:			
Non-controlling interest		**–**	–
Equity shareholders of the Company		**(1,920,264)**	(1,326,442)
		(1,920,264)	(1,326,442)

All the results derive from the Group's continuing operations.

There are no further recognised gains and losses in either financial year other than the loss for that year.

EBITDA is presented on the face of the profit and loss account as the directors believe that it is a key financial performance measure for the Group. EBITDA is defined as the operating profit before interest, taxation, depreciation, amortisation and non-recurring items.

Consolidated balance sheet

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	**44,582,467**	53,336,520
Tangible assets	12	**9,863,894**	6,343,840
		54,446,361	59,680,360
Current assets			
Debtors:			
– amounts falling due within one year	14	**29,852,936**	25,285,481
– amounts falling due after more than one year	14	**591,759**	1,576,435
Cash at bank and in hand		**254,613**	281,168
		30,699,308	27,143,084
Creditors: Amounts falling due within one year	15	**(29,263,539)**	(31,654,367)
Net current assets / (liabilities)		**1,435,769**	(4,511,283)
Total assets less current liabilities		**55,882,130**	55,169,077
Creditors: Amounts falling due after more than one year	15	**(58,405,362)**	(55,772,045)
Net liabilities		**(2,523,232)**	(602,968)
Capital and reserves			
Called-up share capital	17	**39,500**	39,500
Share premium account		**8,748,533**	8,748,533
Profit and loss account		**(11,311,265)**	(9,391,001)
Shareholder's deficit		**(2,523,232)**	(602,968)

The financial statements of CitySprint (UK) Group Limited, registered number 07419353, were approved by the board of directors and authorised for issue on 27 April 2016.

They were signed on its behalf by:

P A Gallagher
Director

Company balance sheet

At 31 December 2015

	Note	2015 £	Restated (note 14) 2014 £
Fixed assets			
Investments	13	**24,004,283**	24,004,283
Current assets			
Debtors:			
– amounts falling due within one year	14	**16,928,602**	15,552,309
– amounts falling due after more than one year	14	**–**	1,032,279
Cash at bank and in hand		**44**	250,124
		16,928,646	16,834,712
Creditors: Amounts falling due within one year	15	**(3,024,354)**	(3,195,511)
Net current assets		**13,904,292**	13,639,201
Total assets less current liabilities		**37,908,575**	37,643,484
Creditors: Amounts falling due after more than one year	15	**(43,645,620)**	(40,534,545)
Net liabilities		**(5,737,045)**	(2,891,061)
Capital and reserves			
Called-up share capital	17	**39,500**	39,500
Share premium account		**8,748,533**	8,748,533
Profit and loss account		**(14,525,078)**	(11,679,094)
Shareholder's deficit		**(5,737,045)**	(2,891,061)

The financial statements of CitySprint (UK) Group Limited, registered number 07419353, were approved by the Board of Directors and authorised for issue on 27 April 2016.

They were signed on its behalf by:

P A Gallagher
Director

Consolidated statement of changes in equity

At 31 December 2015

	Equity attributable to the equity shareholder of the Group			
	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	39,500	8,748,533	(7,817,949)	970,084
Changes on transition to FRS 102 (see note 23)	–	–	(246,610)	(246,610)
At 1 January 2014 as restated	39,500	8,748,533	(8,064,559)	723,474
Loss for the financial year	–	–	(1,398,699)	(1,398,699)
Changes on transition to FRS 102 (see note 23)	–	–	72,257	72,257
At 31 December 2014 as restated	39,500	8,748,533	(9,391,001)	(602,968)
Loss for the financial year	–	–	(1,920,264)	(1,920,264)
At 31 December 2015	**39,500**	**8,748,533**	**(11,311,265)**	**(2,523,232)**

Company statement of changes in equity

At 31 December 2015

	Equity attributable to the equity shareholder of the Company			
	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	39,500	8,748,533	(8,590,426)	197,607
At 1 January 2014 as restated	39,500	8,748,533	(8,590,426)	197,607
Loss for the financial year	–	–	(3,088,668)	(3,088,668)
Changes on transition to FRS 102	–	–	–	–
At 31 December 2014 as restated	39,500	8,748,533	(11,679,094)	(2,891,061)
Loss for the financial year	–	–	(2,845,984)	(2,845,984)
At 31 December 2015	**39,500**	**8,748,533**	**(14,525,078)**	**(5,737,045)**

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £	2014 £
Net cash flows from operating activities	A	**11,781,043**	13,330,574
Cash flows from investing activities			
Shareholder's loan interest paid		**–**	(2,633,600)
UK corporation tax paid		**(410,244)**	(1,140,838)
Purchase of tangible fixed assets		**(6,840,656)**	(3,751,699)
Purchase of goodwill and intangible assets		**(3,193,082)**	(10,076,153)
Net cash flows from investing activities		**(10,443,982)**	(17,602,290)
Cash flows from financing activities			
Bank loan interest paid		**(1,436,066)**	(1,778,354)
Repayment of borrowings		**(5,325,000)**	(3,737,500)
Increase in receivables finance facility		**4,435,583**	9,479,147
Obligations under finance lease		**961,867**	–
Net cash flows from financing activities		**(1,363,616)**	3,963,293
Net decrease in cash and cash equivalents		**(26,555)**	(308,422)

Notes to the consolidated cash flow statement

For the year ended 31 December 2015

A. Reconciliation of operating profit to net cash inflow from operating activities

	2015 £	2014 £
Operating profit	2,949,969	3,456,033
Depreciation of tangible fixed assets	3,320,602	2,419,831
Amortisation of intangible assets	9,503,199	7,626,819
Increase in debtors	(3,291,443)	(3,102,860)
(Decrease)/increase in creditors	(701,284)	2,930,751
Net cash inflow from operating activities	11,781,043	13,330,574

B. Reconciliation of operating profit to operating cash flow to movements in net debt

	2015 £	2014 £
Outflow in cash in the year	(26,555)	(308,422)
Cash inflow/(outflow) from bank loans	889,417	(5,741,647)
Non cash movement on shareholder loans	(2,633,604)	–
Amortisation of deferred finance costs	(477,472)	(159,158)
Movement in net debt	(2,248,214)	(6,209,227)
Net debt at 1 January	(68,267,040)	(62,057,813)
Net debt at 31 December	(70,515,254)	(68,267,040)

C. Analysis of changes in net debt

	1 January 2015 £	Cash flows £	Non Cash items £	31 December 2015 £
Cash at bank and in hand	281,168	(26,555)	–	254,613
Debt due within one year	(12,776,164)	(348,083)	–	(13,124,247)
Debt due after more than one year	(55,772,044)	(1,396,104)	(477,472)	(57,645,620)
	(68,267,040)	(1,770,742)	(477,472)	(70,515,254)

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

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

General information and basis of accounting

CitySprint (UK) Group Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 34. The nature of the Group's operations and its principal activities are set out in the Directors' report on page 35.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information, see note 23.

The functional currency of CitySprint (UK) Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra- group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition. More information can be found in note 23 to these financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report also describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group meets its day-to-day working capital requirements through a receivables finance facility which is available for up to six years.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities including the receivables financing facility. The directors are satisfied that the Group has access to adequate facilities to continue to meet its strategic objectives.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The net liabilities of the Company at the 31 December 2015 of £5,737,045 include shareholder loans of £43,645,620 which are not due for repayment until at least December 2017, excluding these loans the Group has a strong net asset position.

Acquisition goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 5 years. It is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Consolidation goodwill

Goodwill arising from management buyouts in 2002 and 2010 is capitalised as an asset on the balance sheet and amortised on a straight line basis over its useful life of 20 years. Management expect the company's life to exceed 20 years but feel they could only reliably measure the value over the 20-year period.

Notes to the financial statements (continued)

For the year ended 31 December 2015

1. Accounting policies (continued)

Intangible assets

Amortisation is provided on all intangible fixed assets, at rates calculated to write off the cost based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Customer lists	2 – 4 years
Intellectual property	3 years

Tangible fixed assets

Tangible fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Short leasehold improvements	over the lease term
Computer equipment	4 years
Fixtures and fittings	5 years
Other equipment	5 years
Mobile devices	5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The investment in subsidiaries is stated at cost. The carrying value is reviewed for impairment when events or changes in circumstances indicate it may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

1. Accounting policies (continued)

i) Financial assets and liabilities (continued)

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

iv) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Notes to the financial statements (continued)

For the year ended 31 December 2015

1. Accounting policies (continued)

Taxation

Current tax, including UK Corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which 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 financial statements. 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Leases

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives). The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Employee benefits

The Group makes contributions to the personal pension plans of certain employees. Contributions to such schemes are charged in the profit and loss account as incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

All differences are taken to the profit and loss account.

Receivables financing facility

Trade debtors are subject to a financing arrangement whereby an advance is received based upon and secured upon trade receivables.

Where the Group has retained significant benefits and risks relating to the financed debts, separate presentation is adopted whereby the gross debts and a corresponding liability in respect of the advance received are shown separately on the balance sheet. The interest element of the finance charges is recognised as it accrues and is included in the profit and loss account with other interest charges.

Revenue and revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax, trade discounts, rebates and other sales-related taxes.

Revenue is recognised at the point when courier service is completed.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the rendering of services set out in FRS 102 Section 23 Revenue. The directors are satisfied that recognition of revenue in the current year is appropriate.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

The Group is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverability of the amount. Details of the goodwill are set out in note 11.

Intangible assets (including goodwill)

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets.

In addition, management must assess the value of any contingent consideration that is due to the seller following the completion of the initial purchase. The value of this consideration is frequently based on the financial performance of the acquired customer list post acquisition. Therefore, management must assess the likely value of this performance and so give a value to the expected contingent consideration. Actual post completion performance may vary from management's estimate.

In valuing intangible assets, the Group is required to estimate an appropriate discount rate and consider customer attrition rates.

Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. Further details on the intangible assets and goodwill are disclosed in note 11.

Recognition of deferred tax asset

The ability to use brought forward tax losses depends on future profitability of the Company along with the losses and the tax regulations in the country. Management annually assesses the likelihood of being able to utilise the losses and so whether to recognise a deferred tax asset. Details of the deferred tax balances are set out in note 9.

3. Turnover

Turnover, which is stated net of VAT, trade discounts and customer rebates, represents amounts invoiced to third parties in respect of the Group's continuing activities.

All turnover is derived in the United Kingdom.

Notes to the financial statements (continued)

For the year ended 31 December 2015

4. Loss on ordinary activities before taxation

	2015 £	2014 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**3,320,602**	2,419,831
Amortisation of intangible fixed assets	**9,503,199**	7,626,819
Operating lease rentals:		
– Other assets	**1,548,475**	1,369,076
– Plant and machinery	**402,801**	601,965
Loss/(gain) on foreign currency transactions	**6,504**	(26,332)

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the parent company and consolidated annual financial statements	**15,600**	12,750
Fees payable to the Company's auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries pursuant to legislation	**30,885**	25,100
Total audit fees	**46,485**	37,850
VAT services	**910**	6,855
Tax services		
– Corporation tax compliance	**50,250**	25,720
– iXBRL conversion	**5,100**	5,100
– Other tax services	**65,456**	25,495
Total non-audit fees	**121,716**	63,170

5. Directors' remuneration

	2015 £	2014 £
Directors' remuneration:		
Emoluments	411,977	459,551
Company contributions to defined contribution pension schemes	1,679	1,329
	413,656	460,880

	No.	No.
The number of directors who are:		
members of the defined contribution scheme	1	1

	£	£
Remuneration of the highest paid director:		
Emoluments	178,157	203,130

The directors believe that they, and they alone, are ultimately responsible for planning, directing and controlling the company.

6. Staff numbers and costs

Group	2015 no.	2014 no.
The average monthly number of employees (including executive directors):		
London operations	219	190
Regional operations	340	306
Management and administration	87	81
Sales and marketing	77	77
	723	654

	2015 £	2014 £
Their aggregate remuneration comprised:		
Wages and salaries	19,566,917	17,409,491
Social security costs	1,983,568	1,719,507
Pension costs	173,487	150,708
	21,723,972	19,279,706

Notes to the financial statements (continued)

For the year ended 31 December 2015

7. Net finance costs

	2015 £	2014 £
Interest payable and similar charges		
Interest on bank loans wholly repayable within five years	1,495,592	1,193,360
Interest on shareholder loans	2,633,600	2,633,600
Interest on finance leases	38,897	–
Movement in fair value of financial instruments	(96,303)	(72,256)
Interest received on corporation tax	(2,121)	–
Amortisation of loan arrangement fees	477,475	159,157
Other bank fees	–	410,640
	4,547,140	4,324,501

8. Non-recurring items

	2015 £	2014 £
Refinancing and associated IP costs	545,828	–
Indirect new brand costs	446,045	–
	991,873	–

The costs above were incurred by activities not relating to the core operations of the business.

9. Tax on loss on ordinary activities

The tax charge comprises:

Group	2015 £	2014 £
Current tax on loss on ordinary activities		
UK corporation tax	385,931	958,111
Foreign tax	245,914	–
Adjustments in respect of prior year:		
UK corporation tax	(17,414)	(733,074)
Total current tax	614,431	225,037
Deferred tax		
Origination and reversal of timing differences	(291,253)	235,368
Effect of change in tax rates	(85)	(2,431)
Total deferred tax	(291,338)	232,937
Total tax on loss on ordinary activities	323,093	457,974

9. Tax on loss on ordinary activities (continued)

The standard rate of tax applied to reported loss on ordinary activities is 20.25% (2014: 21.5%). The applicable tax rate has changed following the substantive enactment of the Finance (No 2) Act 2015. During the year beginning 1 January 2016, the net reversal of the deferred tax assets is expected to decrease the corporation tax charge for the year by £1.3 million. This is due to the repayment of shareholder loans.

The foreign tax is in relation to the purchase of the IP.

There is no expiry date on the timing differences, unused tax losses or credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £	2014 £
Group loss on ordinary activities before tax	**(1,597,171)**	(868,468)
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 20.25% (2014 – 21.50%).	**(323,427)**	(186,721)
Effects of:		
Expenses not deductible for tax purposes	**615,851**	1,380,200
Unrecognised deferred tax movements	**48,168**	–
Effect of change in tax rates	**(85)**	(2,431)
Adjustment to tax charge in respect of prior years	**(17,414)**	(733,074)
Group total tax charge for the year	**323,093**	457,974

The loss on ordinary activities is stated after FRS102 adjustments detailed in note 23.

Deferred tax asset

Deferred tax is provided as follows:

Group	2015 £
At 1 January 2015	**(1,576,435)**
Charged to the profit and loss account	**(291,338)**
As 31 December 2015	**(1,867,773)**

Group	2015 £	2014 £
Accelerated capital allowances	**(527,284)**	(512,394)
Other timing differences	**(1,340,489)**	(1,064,041)
	(1,867,773)	(1,576,435)

Notes to the financial statements (continued)

For the year ended 31 December 2015

Deferred tax asset (continued)

Group	2015 £	2014 £
Deferred tax not recognised		
Other timing differences	**(48,168)**	–
Tax losses	**(31,008)**	(31,008)

The Group deferred tax asset has not been recognised as it did not meet the recognition criteria of FRS 102 section 29.

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

Factors that may affect future tax charge

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

10. Profit attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent company was £2,845,984 (2014: loss £3,088,668). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

11. Intangible fixed assets

Group	Customer lists £	IP £	Acquisition goodwill £	Consolidation goodwill £	Group total £
Cost					
At 1 January 2015	30,929,072	–	5,292,351	48,891,655	85,113,078
Additions	1,392,884	950,156	1,020,517	–	3,363,557
Contingent consideration not paid	(1,594,792)	–	(1,019,621)	–	(2,614,413)
At 31 December 2015	30,727,164	950,156	5,293,247	48,891,655	85,862,222
Accumulated amortisation					
At 1 January 2015	20,694,263	–	523,414	10,558,879	31,776,558
Charge for the year	4,327,585	237,539	2,493,490	2,444,585	9,503,199
Impairment losses	–	–	–	–	–
At 31 December 2015	25,021,848	237,539	3,016,904	13,003,464	41,279,755
Net book value					
At 31 December 2015	5,705,316	712,617	2,276,343	35,888,191	44,582,467
At 31 December 2014	10,234,809	–	4,768,937	38,332,774	53,336,520

The Group acquired the intellectual property of its own operating system in 2015. On acquisition the asset was measured at £950,156, being its fair value as at the date on which it was acquired.

Acquisition goodwill relates to goodwill arising from the acquisition of trading businesses by the group. Acquisition goodwill is being amortised between 2 and 4 years.

The Group has acquired four businesses during the year for a total consideration of £2,413,401 (2014: £12,358,580) of which £1,523,660 (2014: £3,963,118) has been deferred and is payable based upon future revenue targets and is included within other creditors due within one year. As a result of the business combinations the Group has acquired intangible assets which are disclosed as customer lists and acquisition goodwill. Of the total consideration paid, £1,392,884 (2014: £7,552,229) relates to customer lists which are being amortised between 2 and 4 years. The remainder relates to goodwill which is the difference between the consideration paid and the fair value of customer lists.

Contingent consideration not paid has been written back on a straight-line basis equal to the period which the initial consideration is being amortised.

Included within intangible fixed assets are costs of £21,048,706 (2014: £11,801,151) that have been fully amortised.

Consolidation goodwill relates to goodwill arising from management buyouts. All consolidation goodwill is amortised over 20 years.

Notes to the financial statements (continued)

For the year ended 31 December 2015

12. Tangible fixed assets

Group	Short leasehold improvements £	Computer equipment £	Fixtures and fittings £	Other equipment £	Mobile devices £	Total £
Cost						
At 1 January 2015	729,914	20,142,564	1,012,849	333,862	–	22,219,189
Additions	411,230	5,168,490	108,470	43,156	1,109,310	6,840,656
At 31 December 2015	1,141,144	25,311,054	1,121,319	377,018	1,109,310	29,059,845
Accumulated depreciation						
At 1 January 2015	529,895	14,487,936	562,525	294,993	–	15,875,349
Charge for the year	93,087	2,938,062	138,349	17,157	133,947	3,320,602
At 31 December 2015	622,982	17,425,998	700,874	312,150	133,947	19,195,951
Net book value						
At 31 December 2015	518,162	7,885,056	420,445	64,868	975,363	9,863,894
At 31 December 2014	200,019	5,654,628	450,324	38,869	–	6,343,840

The Company did not hold any tangible fixed assets.

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives). The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability.

13. Fixed asset investments

	Company 2015 £	2014 £
Subsidiary undertakings	**24,004,283**	24,004,283
Total	**24,004,283**	24,004,283

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertakings.

Subsidiary undertakings

Name of company	Holding	%	Principal activity	Country of incorporation
Held by the Company				
Courier and Passenger				
Transport Holdings Limited*	Ordinary shares	100%	Holding company	UK
Held by subsidiary undertakings				
Courier and Passenger Transport				
Group Limited	Ordinary shares	100%	Holding company	UK
CitySprint (UK) Limited	Ordinary shares	100%	Courier services	UK
Last Mile Link Technologies Limited	Ordinary shares	100%	IT development	UK
CitySprint Healthcare Limited	Ordinary shares	100%	Courier services	UK

*Held directly by Group Limited.

Group limited has a 100% interest in all the subsidiaries above, a partnership governed by English law. The head office is detailed on page 34.

These financial statements of Group Limited include the results and financial position of the Group's 100% interest in all the above subsidiaries using the equity method of accounting.

Notes to the financial statements (continued)

For the year ended 31 December 2015

14. Debtors

	Group 2015 £	Company 2015 £	Group 2014 £	(Restated)* Company 2014 £
Amounts falling within one year:				
Trade debtors	25,754,275	–	23,618,911	–
Other debtors	45,547	–	48,016	1,000
Prepayments	2,074,698	111,140	1,067,513	9,862
Accrued income	702,402	–	551,041	–
Deferred tax asset	1,276,014	1,276,014	–	–
Amounts due from subsidiary undertakings	–	15,541,448	–	15,541,447
	29,852,936	16,928,602	25,285,481	15,552,309
Amounts falling after more than one year:				
Deferred tax asset	591,759	–	1,576,435	1,032,279
	591,759	–	1,576,435	1,032,279

Based upon their projections of the Group's future profitability, the directors are confident that sufficient profits will arise in the future to allow full recovery of the deferred tax asset apart from the amount in note 9.

* In the prior year, the Company balance sheet included an amount due from subsidiary undertakings of £15,541,447 within Debtors: Amounts falling due after more than one year, and an amount of £3,149,253 due to subsidiary undertakings within Creditors: amounts falling due after more than one year. The directors have revisited the classification of these amounts being long term in nature and, on the basis that there are no agreements which formalise the terms of these balances, the directors consider it appropriate to reclassify these amounts to falling due within one year. This is a reclassification of amounts previously presented, as such, there is no impact on net assets or net income.

15. Creditors

	Group 2015 £	Company 2015 £	Group 2014 £	(Restated)* Company 2014 £
Amounts falling due within one year:				
Bank loans	13,124,247	–	12,776,164	–
Trade creditors	5,598,561	163,342	5,602,956	34,258
Corporation tax	54,517	–	(149,670)	12,000
Other taxation and social security	3,946,199	–	4,347,971	–
Driver pay	2,549,428	–	3,518,227	–
Contingent consideration	1,523,660	–	3,967,599	–
Accruals	2,186,751	–	1,416,767	–
Derivative financial instruments	78,050	–	174,353	–
Obligations under finance leases	202,126	–	–	–
Amounts due to subsidiary undertakings	–	2,861,012	–	3,149,253
	29,263,539	3,024,354	31,654,367	3,195,511

15. Creditors (continued)

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Amounts falling due after more than one year:				
Bank loans	14,000,000	–	15,237,500	–
Shareholder loans	43,645,620	43,645,620	40,534,545	40,534,545
Obligations under finance leases	759,742	–	–	–
	58,405,362	43,645,620	55,772,045	40,534,545

Analysis of obligations under finance leases

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Finance leases:				
Between one and two years	215,481	–	–	–
Between two and five years	544,261	–	–	–
On demand or within one year	202,126	–	–	–
	961,868	–	–	–

Analysis of finance lease cash payable

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Finance leases:				
Cash payable between one and two years	256,716	–	–	–
Cash payable between two and five years	583,809	–	–	–
On demand or within one year	256,716	–	–	–
	1,097,241	–	–	–

Notes to the financial statements (continued)

For the year ended 31 December 2015

15. Creditors (continued)

Bank loans and shareholder loans	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Wholly repayable within 5 years:				
Shareholder loans	43,645,620	43,645,620	41,012,016	41,012,016
Less:				
Unamortised loan arrangement fees	–	–	(477,471)	(477,471)
	43,645,620	43,645,620	40,534,545	40,534,545
Term loan facility	15,237,500	–	20,562,500	–
Receivables finance facility	11,886,747	–	7,451,164	–
	27,124,247	–	28,013,664	–
	70,769,867	43,645,620	68,548,209	40,534,545
Less:				
Included within creditors due within one year:				
Bank loans	(13,124,247)	–	(12,776,164)	–
	57,645,620	43,645,620	55,772,045	40,534,545

Bank loans and shareholder loans	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Between one and two years	57,645,620	43,645,620	55,722,045	40,534,545
Between two and five years	–	–	–	–
	57,645,620	43,645,620	55,722,045	40,534,545
On demand or within one year	13,124,247	–	12,776,164	—
	70,769,867	43,645,620	68,498,209	40,534,545

Shareholder loans due in more than one-year represent £32.9 million Unsecured 8% Fixed Rate A Loan notes that are listed on the Channel Islands Securities Exchange. Issue price is at par and the redemption date is 3 December 2017.

The Group has a receivables finance facility with its bankers. The facility is available for a minimum period of 3 years. Drawdown is capped at £16,000,000. The drawdown against the outstanding debtors at 31 December 2015 is included within loans in creditors due within one year (note 15). Interest on the receivables finance facility is charged at 2.9% over LIBOR.

The Group had a fixed Term Loan A for that was repaid in full in December 2015 (2014: £2.85 million) which was repaid via the following instalments: £1.4 million on 30 June and 31 December 2015. Interest was charged at LIBOR plus 4%.

The Group also has a fixed Term Loan B for £14 million as at year end (2014: £14 million) which is repayable in two equal instalments on 30 June 2017 and 31 December 2017. Interest is charged at LIBOR plus 4.5%.

15. Creditors (continued)

The Group also has a loan facility C for up to £5 million of which £1.2 million was utilised at the year-end (2014: £3.7 million). The loan is repayable in full on 30 June 2016. Interest is charged at LIBOR plus 4%.

The Group has entered into interest rate swaps fixed at 3.55% on £3,500,000 of the above loans and which matures on 28 December 2016. The fair value of this swap as at 31 December 2015 was (£78,050) (2014: (£174,428)). The Group has also entered into an interest rate cap on £3,500,000 of the above loans and which will incept when the base rate is at 3.55% and this matures on 28 December 2016. The fair value of this cap as at 31 December 2015 was nil (2014: £76).

All of the above facilities are secured by a fixed and floating charge over the assets of the Company and fellow group undertakings and are denominated in sterling.

Analysis of maturity	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Amounts falling due:				
Between one and two years	27,124,247	–	12,776,164	—
Between two and five years	43,645,620	43,465,620	56,249,516	41,012,016
	70,769,867	43,465,620	69,025,680	41,012,016
Less:				
Unamortised issue expenses	–	–	(477,471)	(477,471)
	70,769,867	43,465,620	68,548,209	40,534,545

Borrowings are repayable as follows:

Total borrowings including finance leases	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Between one and two years	57,861,101	43,645,620	55,722,045	40,534,545
Between two and five years	544,261	–	–	–
	58,405,362	43,645,620	55,722,045	40,534,545
On demand or within one year	13,326,373	—	12,776,164	–
	71,731,735	43,645,620	68,498,209	40,534,545

Notes to the financial statements (continued)

For the year ended 31 December 2015

16. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

Financial assets	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Measured at undiscounted amount receivable				
• Trade and other debtors (see note 14)	25,754,275	–	23,618,911	–
• Other debtors (see note 14)	45,547	–	48,016	1,000
• Accrued income (see note 14)	702,402	–	551,041	–
• Amounts due from subsidiaries (see note 14)	–	15,541,448	–	15,541,447
	26,502,224	15,541,448	24,217,968	15,542,447

Financial liabilities	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Measured at fair value through the profit and loss				
• Derivative financial liabilities (see note 16)	78,050	–	174,353	–
Measured at amortised cost				
• Loans payable (see note 15)	43,645,620	43,645,620	40,534,545	40,534,545
• Bank loans (see note 15)	27,124,247	–	28,013,664	–
• Obligations under finance leases (see note 15)	961,868	–	–	–
Measured at undiscounted amount payable				
• Trade creditors (see note 15)	5,598,561	163,342	5,602,956	34,258
• Corporation tax payable (see note 15)	54,517	–	–	12,000
• Other taxation and social security (see note 15)	3,946,199	–	4,347,971	–
• Driver pay (see note 15)	2,549,428	–	3,518,227	–
• Contingent consideration (see note 15)	1,523,660	–	3,967,599	–
• Accruals (see note 15)	2,186,751	–	1,416,767	–
• Amounts due to subsidiary (see note 15)	–	2,861,012	–	3,149,253
	87,668,901	46,669,974	87,576,082	43,730,056

The derivative financial liability relates to an interest rate swap referred to in note 15.

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Finance income and expense	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
Total interest income for financial assets at amortised cost	2,121	–	–	–
Total interest expense for financial liabilities at amortised cost	(4,645,565)	(3,153,577)	(4,396,759)	(2,835,247)
Fair value gains and losses				
On derivative financial liabilities (see note 16)	96,303	–	72,257	–

17. Called up share capital and reserves

			2015 £	2014 £
Allotted, called up and fully paid:				
40,000	(2014: 40,000)	Ordinary A shares of £0.05 each	**2,000**	2,000
25,000	(2014: 25,000)	Ordinary B shares of £0.10 each	**2,500**	2,500
35,000	(2014: 35,000)	Ordinary C shares of £1.00 each	**35,000**	35,000
6	(2014: 6)	Ordinary D shares of £0.01 each	**–**	–
			39,500	39,500

The A, B and C shares rank pari passu in all respects apart from the distribution of capital; whereas the first £8,386,000 will be split equally between the A & B shares and thereafter the distribution will be split equally between all 3 types of shares. The D shares have no rights to receive any distribution of income.

In the year ended 31 December 2015 no shares were issued.

In the year ended 31 December 2014 no shares were issued.

The Group's and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents the cumulative profits or losses, net of dividends and other adjustments.

18. Financial commitments

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

Group	2015 Land and buildings £	2015 Other equipment £	2014 Land and buildings £	2014 Other equipment £
Operating leases which expire:				
Within one year	**73,894**	**101,938**	285,796	119,312
Between one and five years	**1,502,149**	**298,577**	884,016	226,612
	1,576,043	**400,515**	1,169,812	345,924

The Company holds no operating leases.

The Group has contracted but not provided for capital expenditure of £2,108,200 (2014: £1,621,000) to be incurred in the next accounting year. The Company has no commitments.

19. Related party transactions

The Company has an outstanding loan and accrued interest due to Dunedin Buyout Fund II LLP, a shareholder, and the details of the loan are set out in note 15.

Directors transactions
There were no transactions between the Group and Company and its directors.

Other related party transactions
There were no transactions between the Group and Company and its key management personnel.

20. Employee benefits

Defined contribution scheme
The Group operates a defined contribution pension scheme whose assets are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group and amounted to £173,487 (2014: £150,708). Contributions totalling £33,479 (2014: £33,343) were payable to the fund at the year end and are included in creditors.

Notes to the financial statements (continued)

For the year ended 31 December 2015

21. Cross guarantees

The Company is part of a VAT group and therefore as a whole the Group has a liability for the VAT creditor at the end of the year in a fellow subsidiary of £3,351,382 (2014: £3,753,589). This balance has been recorded on the consolidated balance sheet at year end within creditors.

The Company has guaranteed the secured bank loans of the Group on behalf of its subsidiaries. The maximum amount available to the Group under this facility is £31,237,500 (2014: £36,562,500) and the amount outstanding at the balance sheet date was £27,124,247 (2014: £28,013,664). Of this amount outstanding, £nil (2014: £nil) was outstanding within this company. The guarantee is secured by a fixed and floating charge over the assets of the Company.

The company has cross guarantees with Courier and Passenger Transport Holdings Limited in relation to a financial derivative.

22. Subsequent events

On the 18 February 2016 the entire share capital of CitySprint (UK) Group Limited was acquired by Frederick BidCo Limited for £175 million. As a result, the ultimate parent undertaking and controlling party post balance sheet date has changed to Frederick TopCo Limited which is the parent company of Frederick BidCo Limited.

As a result, the Group's current loan facility as set out in note 15 was changed.

The Dunedin Loan and bank loans along with the associated interest were repaid in full.

The Group now has a fixed Term Loan A for £62.5 million which is repayable in one instalment on 18 February 2023. Interest is charged at LIBOR plus 4.5% which is paid quarterly.

The Group also has a loan facility B for up to £12.0 million which is repayable in eight equal semi-annual instalments commencing 6 months after 3 years from the commencement date. Interest is charged at LIBOR plus 4.0% which is paid quarterly.

The Group's receivables finance facility was increased to £22.0 million and is now available for a period of up to 6 years. Interest in now charged at LIBOR plus 1.75% and is paid monthly.

The ultimate parent undertaking and controlling party is Frederick TopCo Limited.

23. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. The reconciliations below show the impact of FRS102 adoption on equity and profits.

Reconciliation of equity

	Group		Company	
	At 1 January 2014 £	At 31 December 2014 £	At 1 January 2014 £	At 31 December 2014 £
Equity reported under previous UKGAAP	970,084	(428,615)	197,607	(2,891,061)
Adjustments to equity on transition to FRS 102				
1. Financial instrument adjustment	(246,610)	(174,353)	–	–
Equity reported under FRS 102	723,474	(602,968)	197,607	(2,891,061)

Notes to the reconciliation of equity at 1 January 2014

The interest rate swap referred to in note 15 has been included in the 2014 and 2015 financial statements.

In 2014 interest derived from intercompany loans was reflected as a transfer pricing adjustment. It has now been included in the 2014 and 2015 financial statements.

Reconciliation of profit or loss for 2014

	Group £	Company £
Loss for the financial year under previous UK GAAP	(1,398,699)	(3,088,668)
1. Financial instrument adjustment	72,257	–
Loss for the financial year under FRS 102	(1,326,442)	(3,088,668)

This document is printed on Satimat Green, a paper containing 75% post consumer recycled fibre and 25% virgin fibre sourced from well managed, responsible, FSC® certified forests.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001785

CitySprint (UK) Ltd
Registered office: Ground Floor, RedCentral, 60 High Street, Redhill, Surrey, RH1 1SH
Registered no. 4327611
VAT no. 997 3273 64

Aberdeen
Basingstoke
Birmingham
Bracknell
Brentwood
Brighton
Bristol
Cambridge
Cardiff
Croydon
Edinburgh
Enfield
Gatwick
Glasgow
Greenwich
Guildford
Heathrow
Hemel Hempstead
Leeds
Letchworth
London
London Logistics
London UK & Intl
London West
Manchester
Medway
Milton Keynes
Newcastle
Northampton
Norwich
Nottingham
Oxford
Peterborough
Plymouth
Reading
Redhill
Slough
Southampton
Swindon
Telford
Warwick