We deliver
Every minute, every day

Evolving delivery

CitySprint (UK) Holdings Ltd

Annual Report and Accounts 2016

CitySprintGroup
Evolving delivery

Contents

We have evolved from being a pure logistics business to become an innovative technology-led delivery business.

Our vision is to continuously evolve delivery and bring innovation to our customers through technology and new products and services.

CitySprintGroup
Evolving delivery

CitySprint LastMileLink TECHNOLOGIES On the dot

Evolving delivery

We are a technology-led delivery business. Our products and services are designed to transform and enhance our clients' businesses.

We constantly seek opportunities to improve and innovate. We do this by investing in and developing leading-edge technology to address changing clients needs and the increasing demand for convenience and choice.

See how we are changing delivery

The expertise of our people
See page 6

Entrepreneurial spirit and innovation
See page 11

Anticipating change in the delivery market
See page 13

Creating new technology
See page 19

Financial highlights

The Group delivered record revenue for the year of £157.8 million and we continue to generate strong levels of cash flow with EBITDA of £17.4 million, 4% higher than the previous year.

- Strong revenue growth of +8%
- EBITDA increased by 4%
- Major round of new investment in February 2016 with LDC joining as strategic investor
- Recent acquisitions contributed £3.0 million in additional revenue
- Sales by geography: Regional 77%; London 23%
- £6.6 million capital investment in our wholly-owned software innovation division, LastMileLink Technologies

£157.8m
+8%
Group revenue

£17.4m
+4%
Underlying EBITDA*

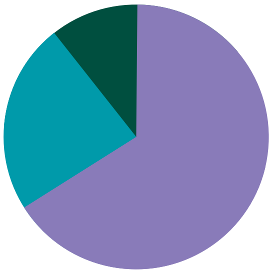
£8.5m
+25%
CAPEX

49%
CAPEX
% of EBITDA

33%
+0.2%
Gross margin %

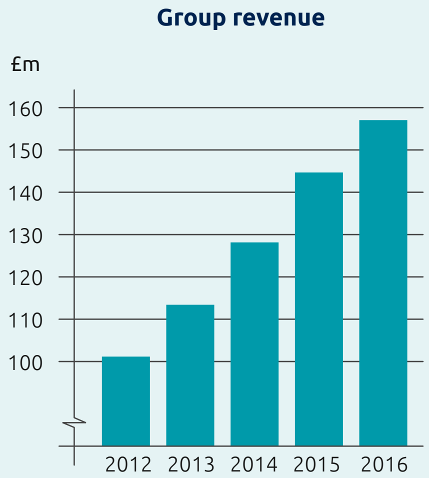
£52.0m
+9%
Gross margin

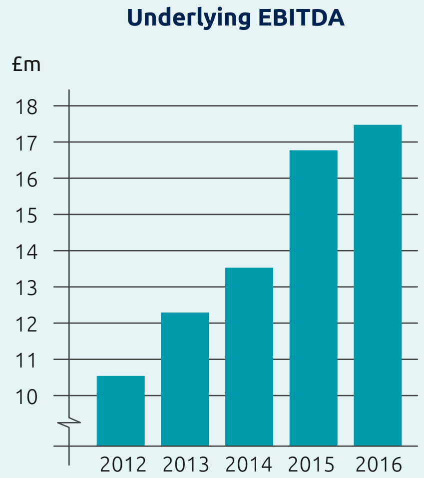
2016 revenue by sector



- Business services support, partner solutions and specialist services **£103.7m**
- Healthcare **£37.0m**
- Retail **£17.1m**

Five year performance





*EBITDA is defined as the operating profit before interest, taxation, depreciation, amortisation and non-recurring items.
The figures above are based on the proforma trading performance for the underlying group for the 12 months ending 31 December 2016.

CitySprint Group at a glance

Our delivery services

Our key brands:

CitySprint

Same day delivery with specialist services in healthcare, business support and luggage recovery.

On the dot

Timeslot deliveries for retail.

Our technology services

LastMileLink Technologies

Creating innovative, next generation software to overcome on demand and traditional last mile delivery challenges.

CitySprint Group in 2016

815
Employees

3,200+
Self-employed couriers

41
Service centres

10m+
Critical deliveries made

>99%
Items delivered first time

6
Strategic acquisitions

Flexibility

Evolving delivery:

The expertise of our people

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

One of our unique strengths is our UK network of service centres managed by people that know and work for their local economies. Each service centre operates as a small business that relies on local staff. This approach not only introduces a high level of entrepreneurship to the business, but it also increases our flexibility and capacity to react dynamically to changing market trends and customer demands.

Chairman's statement

David Burtenshaw
Chairman

The business increased turnover, grew EBITDA and delivered strategically aligned Healthcare and Retail solutions whilst consolidating its position as the undisputed leader in the same day courier sector.

These results would be impressive in any single year, but 2016 completed a decade long run of consecutive growth that has seen CitySprint maintain strong margins in an increasingly competitive marketplace.

This doesn't happen by accident. One of the management team's key strengths is the constant urge to look beyond clients' immediate needs to pre-empt their future requirements. It means the business is always one step ahead of the market – something that has never been more important than in today's fast-moving world.

As many companies have identified, fulfilment is a key enabler that can generate significant competitive advantage. You only have to look at the growth in innovative customer-centric solutions in the retail sector to see that the customer/retailer relationship is being completely re-defined.

This is being driven by three key factors – technology, consumers increasing demand for convenience and choice and, of course, innovative logistics solutions which are levelling the playing field for merchants. And what is true for retail is also true for other sectors – in particular healthcare – where significant cost pressures are the catalyst for innovative patient solutions.

All this combines to make same day the most exciting part of the logistics sector, and one that is going to set the agenda for any number of businesses and industries in the coming years. CitySprint is well-placed to capitalise on this trend.

But being ready for this evolving future requires a set of skills than might not ordinarily be found in a courier company. The business continues to invest in these capabilities through the acquisition of complementary businesses and the development of new technology through its wholly-owned LastMileLink Technologies business.

> **2016 completed a decade long run of consecutive growth that has seen CitySprint maintain strong margins in an increasingly competitive marketplace.**

New investment from LDC has helped accelerate and extend new products including On the dot and Pharmacy to Home – offers that go 'beyond the delivery' to transform the customer experience and patient outcome. I look forward to seeing further progress in the year ahead.

To support this work, the Board's strategic focus on long-term value creation continues. This year we were pleased to strengthen the Board with the appointment of Andy Lyndon from LDC.

The year also saw the Group restructure to better align with our priority sectors – Healthcare and Retail – as well as to help refocus and strengthen our customer service offer. We continue to seek opportunities to improve and enhance the experience offered to our customers to further cement our place at the forefront of the market.

The business ended 2016 in a strong position, well placed to deliver against its 2017 strategy and to continue to invest in the Company's future growth. This continued success is down to its people and their commitment to the Company's strategy and I would like to express my thanks to everyone who worked hard to deliver such an impressive result in 2016.

D J R Burtenshaw
Chairman, CitySprint (UK) Holdings Ltd

27 April 2017

Chief Executive Officer's review

For the period 4 February 2016 to 31 December 2016

Patrick Gallagher
Group CEO

In 2016, we achieved all our financial goals and marked over 10 years of unbroken growth, whilst we simultaneously invested heavily in our future capabilities.

This achievement was delivered against a backdrop of a sector undergoing unprecedented change shaped by technological advances, regulatory-led challenges and consumer-driven demand.

To support this and the next stage of the Group's strategy we completed a major round of new investment in February 2016 with LDC joining Dunedin as investors in CitySprint, with the latter – our cornerstone investor of over five years – retaining an equity stake in the business. HSBC also joined Royal Bank of Scotland and Clydesdale Bank as part of our banking syndicate.

This new investment will facilitate us developing our position in high growth, last mile retail and healthcare sectors, while enabling us to accelerate the development of our innovative final mile delivery offering. It would, however, be wrong to call 2016 'the' year of change because one thing that I've learned in my time as CEO is that change is constant. We have always embraced and welcomed new challenges and our shared philosophy of anticipating and relishing it is, in my opinion, our competitive advantage. As a team, we always strive to look over the horizon and be ready for the future needs of our customers, their consumers, patients and partners. This strategy of restless creativity is at the heart of everything we do and is evident in last year's performance.

Our 2016 financial and operating highlights for the post acquisition period to 31 December 2016 paint a picture of a strong business becoming even stronger and one that is set up for long-term success:

- We recorded revenues for the period of £134.4 million
- EBITDA, the key measure of the business is reported at £15.6 million
- LDC joined existing partners Dunedin as strategic investors
- We further strengthened our network with six acquisitions that added both geographical reach and extended our service offer into print fulfilment
- Our transition to a technology-led business continued in 2016 with a further £7.4 million investment in our wholly-owned innovation business – LastMileLink Technologies (previously dormant until 1 January 2016 when operations commenced)

Full 12 month 2016 trading performance for the underlying group is available in the accounts of CitySprint (UK) Limited:

- CitySprint (UK) Limited recorded record revenues for the year of £157.8 million (2015: £146.0 million) – an increase of 8%
- CitySprint (UK) Limited experienced strong growth in our core business with further growth across key sectors including pharmacy to consumer, same day retail and food and beverage
- EBITDA, the key measure of the business, increased by 4% to £17.4 million (2015: £16.7 million)

Customers and markets

We identified early the ways that technology was driving everyone – consumer, patient or partner – to be more demanding in how goods and services were delivered. This impacted each sector in a variety of different ways – an increase in demand for reverse logistics for fast fashion brands through to a growing desire to improve patient outcomes through delivery of medicines to people's homes for healthcare providers. The type of challenge is different but its impact no less significant.

In 2016 we made further progress in building our business around this diverse set of challenges faced by our customers. Last year we redoubled our efforts in three key sectors – healthcare, retail and logistics solutions and specialised services – understanding and responding to the specific needs of each and every customer.

Healthcare

As our nation ages, we place ever-greater pressure on our healthcare services. This is causing regulators and providers to innovate and rethink how they deliver critical services to patients.

We have been working closely with pharmacy clients to help them navigate the changing community healthcare landscape. In September 2016 we launched our ground-breaking 'Pharmacy to Home' delivery proposition. Not only does this offer the ultimate in flexibility for the patient and cost efficiencies for the pharmacy, it also utilises our technology to introduce a fully-auditable and MHRA accredited service – often lacking in existing arrangements.

Retail

On the dot

On the dot – our dedicated retail offer that allows customers to select a specified hour delivery window of their choice – continued its impressive growth trajectory following a successful launch in 2015. Today we can count adidas, Flubit, MATCHESFASHION.com, Wickes and Zalando UK as valued clients, who are using ultra-convenient delivery to stand out from competitors.

We continue to invest in expanding our service lines to meet the need for deliveries on demand and expect to announce further On the dot innovations in the first half of 2017.

Logistics solutions

Several of our customers have requirements that demand scheduled precision. Our network – born out of a need for customer flexibility – allows us to create highly bespoke logistics solutions that other, more rigid networks, struggle to match.

During 2016 we won a number of significant contracts, which included our appointment by Capita to support one of their major framework agreements, delivering over 4.5 million records and documents.

Operations

2016 saw us acquire and integrate a further six businesses strengthening our position in the capital with the addition of our West London Service Centre and the significant acquisition of Excel Couriers. It also took our courier numbers beyond 3,200 on call for the first time.

We have always approached acquisitions with a high degree of care and attention

Chief Executive Officer's review continued

and it's critical that new employees see the benefits of being part of the CitySprint family. I'm pleased to say that our acquisitions in 2016 were completed with a smooth transition over to our technology and network infrastructure.

Our increase in scale benefits our clients as it unlocks a significant network effect increasing our ability to service their needs efficiently 24/7. It also allows us to manage our operations more strategically. Last year we moved our central sorting hub for trunk collections from Warwick to Nottingham which allowed us to deliver efficiencies to larger customers with new warehousing and improvements in sorting, picking and packing. On paper a small change but the benefits operationally were significant.

Investing in technology and innovation

LastMileLink TECHNOLOGIES

A year ago I introduced LastMileLink Technologies – a commitment to keep innovation at the heart of everything we do.

Twelve months is a long time in technology and last year proved that it's not only our clients that we need to keep up with – we must also outpace consumers who are using new digital platforms to transform entire industries.

We have stepped up to play our part in helping our customers adapt to these challenges. We are continuing to explore ways our technology can be a catalyst for organisations that lack the resources to invest in proprietary platforms by opening our application programme interface (API) and helping them to compete on a level playing field whilst we continue to talk to other partners to enhance the customer – or patient – experience in ways that go beyond the point of fulfilment. I'm pleased to say that LastMileLink Technologies will always be a 'work in progress' and we can expect further exciting news as we progress through 2017 and into 2018.

CitySprint people

Our people live our promise every day and our success is in no small part down to their enduring commitment to improving everything we do. This entrepreneurial spirit has directly helped to shape the way that we innovate. Our people are the eyes and ears of our business and they make our customers' challenges the focus of our future challenges.

This year we launched our Shining Star Awards Programme recognising colleagues who demonstrate outstanding performance and best exhibit our Company values. Twelve awards were given to people who showed true passion, spirit and a commitment to their work.

I'm never more proud than when our customers make me aware of when we've gone above and beyond their expectations. We are a technology-led company but we'll never lose sight of our clients, their end customers, and the service promise that we're helping to fulfil. We will continue to reorganise and structure ourselves around the needs of our customers.

"We have always embraced and welcomed new challenges and our shared philosophy of anticipating and relishing it is, in my opinion, our competitive advantage.

Board and management

We saw some changes to the Board during the year with Andy Lyndon from LDC joining as Non-Executive Director. At the same time Nicol Fraser from Dunedin stepped down from the Board. My fellow directors and I would like to thank him for his considerable support and excellent counsel during his tenure as Non-Executive Director over the last five years.

Outlook

2016 saw CitySprint benefit from strong organic growth and continued investment in the Group to support our position as market leader in final mile logistics. We continue to take a long-term view and commit to investing in people, systems and technology so that we remain ahead of our clients' requirements.

My thanks go to our customers who have worked with us in 2016 and to all the stakeholders in the Group, to our advisers, business partners and suppliers. My thanks also to our shareholders in LDC and Dunedin and our banks; RBS, Clydesdale and HSBC, who continue to provide excellent support to CitySprint.

Finally, I would like to thank our employees and couriers, all of whom have made CitySprint a resounding success and who I know are ambitious for more of the same in 2017.

P A Gallagher
Group Chief Executive Officer

27 April 2017

Creativity

Evolving delivery:

Entrepreneurial spirit and innovation

We are a business built on innovation that promotes a culture where new ideas, products, services and ways of working are encouraged and supported.

Entrepreneurship and innovation are crucial to an organisation's success particularly in a fast-moving market. We continually look at ways to use creativity and innovation to identify new business opportunities and thereby increasing market share.

By embedding original thinking within the business we hope to develop novel concepts that will help to transform the delivery industry.

Marketplace

Understanding our market and the key trends shaping our business

1

Same day delivery becomes the norm in retail

In order to stay competitive and meet consumer expectations for hyper-fast delivery; retailers are forced to offer same day delivery as standard. Many retailers are now following the early adopters who originally used the service as a way to increase market share. Retailers can provide delivery without infrastructure investment as third-party carriers and crowd-sourcing platforms fulfil orders.

The B2C same day market is forecast for tremendous growth and is expected to reach £687 million by 2020.

Source: Apex Insight.

2

The impact of Amazon

Retailers and third-party logistics (3PLs) companies are pushed to innovate in response to Amazon's expansion into new products, and the development of its own delivery service, Amazon Logistics. New and innovative delivery services can help both retailers and 3PLs to differentiate themselves and remain competitive in a busy and crowded marketplace.

3

Technology and innovation

The increase in e-commerce combined with a growing population in urban areas makes technology an essential business function. Concepts such as collaborative logistics, deliveries into the back of cars and in the longer-term, autonomous vehicles are shaping the delivery landscape. Companies that harness the power of machine learning and advanced analytics can operate more efficiently and consequently deliver greater value to their customers.

4

Health at home

The traditional operating models of GP surgeries and local pharmacies are changing to support community care, with delivery an important component. The key drivers are an ageing population and the availability of local third-party delivery services that allow patients to receive medication and other healthcare supplies at home. Thousands of independent pharmacies are faced with NHS budget cuts but many still consider home delivery a necessity in order to serve their loyal customer base.

5

Environment and legislation

With increasing environmental legislation not only in the UK but globally, there is an immediate need for viable sustainable energy vehicles. The advances in hybrid and electric vehicles for personal use have not yet caught pace in commercial vehicles. A greater availability of sustainable vehicles with the range and load capacity to deliver across the country will help accelerate adoption within the logistics industry and most importantly help improve air quality for all.

6

Small and medium sized enterprises (SMEs)

Offering a seamless online experience and a unique product or service that is not universally available can help distinguish SMEs from larger companies. Evolving delivery options allow even small SMEs to reach customers nationwide. SMEs across sectors who collaborate, supporting each other with their products and services will benefit and in-turn help the UK economy to thrive.

The UK's 5 million SMEs account for nearly 50% of GDP.

Source: The Department for Business, Innovation and Skills (BIS).

Evolving delivery:

Anticipating change in the delivery market

The requirements and customer demands placed on delivery are changing rapidly. Customers increasingly want flexible delivery windows that offer them convenience and choice.

We recognise how important it is to predict changing market trends and respond quickly to meet ever higher customer expectations. Our leading presence in the same day market provides us with a unique insight into the needs of our clients across a variety of sectors. As a business we are able to handle these challenges with agility and speed, seizing upon opportunities for growth.

Speed

Strategy and business model

We aim to be the major same day distribution partner of choice; to maintain our market-leading position in local last mile delivery solutions, and to deliver leading-edge technology for final mile delivery challenges

Our success as a business is built upon our continued focus and investment in global leading-edge technology to improve the effectiveness and efficiency of what we do; the expertise and knowledge of our people; the scale and efficiency of our UK network; and the breadth and excellence of our services.

We continue to build upon our strength as the market leader by identifying opportunities to grow our business through strategic acquisition targets and by diversifying into developing and nascent markets that are complementary to our existing business.

Our strategy focuses on:

Investing in technology

Building on our strong technology capability and continued investment in innovative next generation delivery platforms to better serve our customers.

Developing our people

Delivering best in class service by developing our people and their knowledge and expertise.

Growing our business through acquisitions

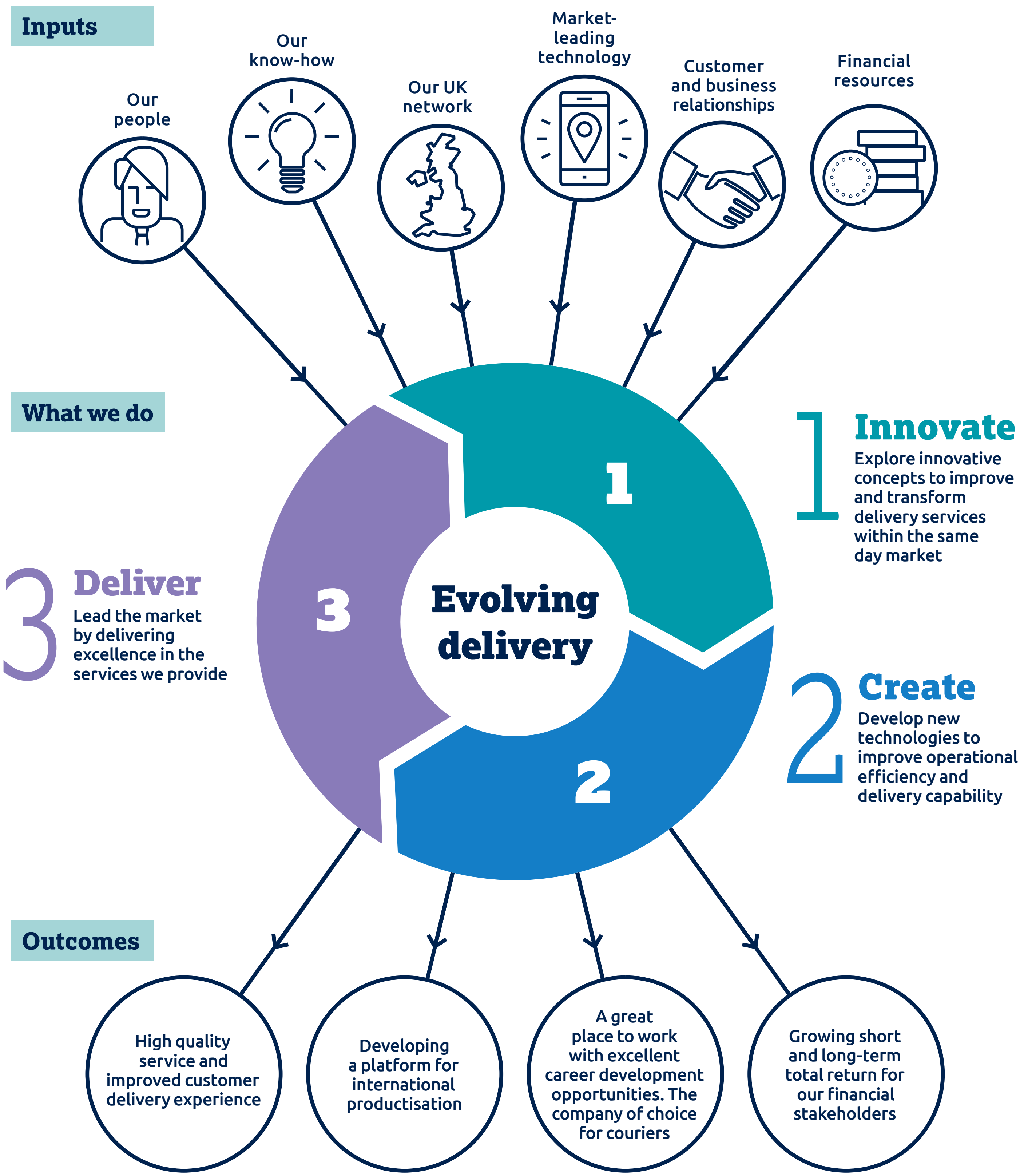
Growing our business by adding scale in existing regions, expanding into new areas and offering capability and capacity in specialised delivery types.

Diversification into new/nascent markets

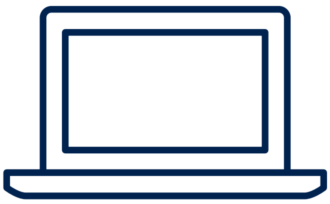
Continuing to explore opportunities to build on our market- leading position and diversify into new high growth markets.

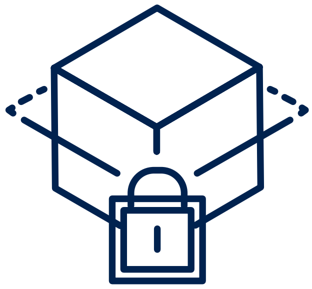
How we create value: our business model

Our business model leverages our key strengths to maintain our market-leading position in local last mile delivery solutions.



Technology and innovation





Increasing productivity and adding value for our customers through superior technology

Technology is key to our business and an important part of our growth strategy.

We continue to make significant investment in technology to support our leadership position, creating innovative next generation software to improve processes and overcome on demand and traditional last mile delivery challenges.

In a fast paced and innovative industry it is increasingly important that we maintain our competitive advantage and remain a dominant player within the same day delivery market.

The demands placed on delivery are changing rapidly with high-level e-commerce adoption, urbanisation, and changing consumer expectations.

The preference for convenience in particular has led to a demand for new delivery options. We are constantly exploring innovative ways in which we can use our insight and technology to meet these demands, drive greater efficiencies and smarter working across all of the services we provide.

LastMileLink Technologies

In 2015 we created a new division – LastMileLink Technologies – the Group's technology incubator, supporting the development of innovative new products and improving the delivery platform infrastructure and service we offer our customers.

LastMileLink Technologies' primary focus is to develop a cloud platform that will revolutionise the growing logistics industry by:

- Helping carriers streamline their processes and manage their fleet more efficiently
- Enabling retailers to integrate timeslot deliveries into their checkout environment, offering a seamless customer experience
- Increasing courier productivity and retention by improving their mobile applications and reducing costs

Our 2016 priorities

Delivery timeslots

In early 2016, On the dot, the Group's retail product offering dynamic delivery timeslots through APIs was rolled out across the UK. We also successfully completed customer integrations with major brands such as adidas, Boutique1, MATCHESFASHION.COM, Wickes and Zalando UK.

Courier app

The first in a suite of fleet management tools, the courier app has been created to maximise fleet efficiencies and reduce operational costs. Self-employed couriers can increase their earning potential by running their company more efficiently and effectively while businesses can put mobile technology and innovation at the forefront.

The app aims to reduce fleet equipment costs whilst simultaneously boosting efficiency by offering couriers the optimal route. It will also create a shorter on-boarding and training time for new couriers.

Key app features include:

- An option for couriers to accept and refuse jobs, as well as set a job as their last for the day
- Total mileage and estimated earnings per job
- Turn-by-turn navigation that is available both on and offline
- Overall courier earnings for the day, week or month (including historical data)
- Courier's distance from the job collection point

The app launches in early 2017, following a successful pilot of the initial phase in 2016.

Smart allocation software

Key in the drive to increase efficiency is the development of our smart allocation software. The technology allows operations professionals to allocate and manage capacity dynamically.

Using a unique algorithm the software will automatically recommend the most appropriate courier for a particular delivery. Based on criteria such as vehicle type or delivery times, the algorithm will anticipate both current and future demand, positioning courier resource more efficiently. This service efficiency will lead to improvements in the operation of fleet and reduce mileage travelled, and 'empty' miles.

Technology and innovation continued

Benefits of our smart allocation software are:

- Flexible planning in real-time adapting to traffic and individual courier performance
- Ability to predict current and future demand and fleet requirements
- Shorter collection and delivery times
- Increased operator efficiency due to machine learning

Booking platform

Work on the development of a flexible booking platform for online customers will continue into 2017. The platform which can easily be integrated into a company's IT system via an API, will provide a flexible user interface (UI). The platform is currently being tested across the CitySprint business.

Plans for 2017

CitySprint Group plans to extend the courier app's user base across multiple business sectors and courier categories. Further development of the app is to continue throughout 2017, with particular focus on enhancing the user experience. The app is due to be deployed across the entire CitySprint fleet throughout 2017 and 2018.

Plans are also in place to roll-out the smart allocation software, helping free up operators who in turn can focus on delivering an improved customer experience.

Opening up new market opportunities

Our market-leading technology is designed to create efficiencies, reduce costs and improve services – a benefit that can be realised not only within the logistics industry but within multi sectors and markets internationally.

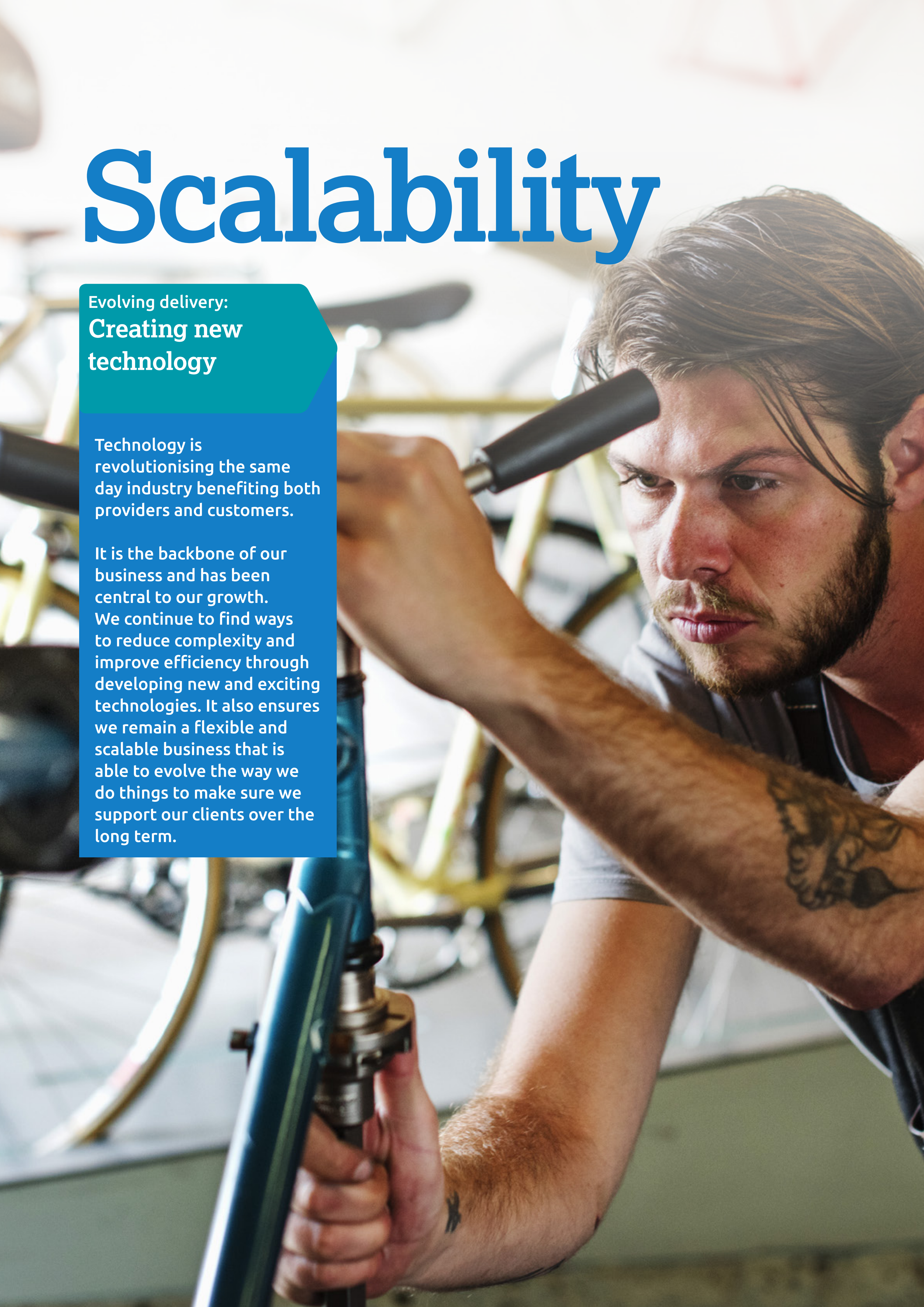
CitySprint Group innovation:

adidas GLITCH

Delivery of the exclusive adidas GLITCH football boot

GLITCH, a totally new approach from adidas, is the world's first fully interchangeable football boot. Launched exclusively in London, GLITCH was made available through a locked app, accessed via invite only. Seeking to revolutionise the experience of how players connected with the football boot, orders were placed through the app with delivery made just four hours later.

LastMileLink Technologies were engaged by adidas who wanted to use our On the dot service for stock handling and distribution. Integrating with On the dot APIs made it possible to offer convenient one-hour delivery windows for customers within the M25 and next day delivery for the rest of the UK. Since its launch in November 2016, demand for the football boot has been high with over 1,600 deliveries in the first two months.



Scalability

Evolving delivery:

Creating new technology

Technology is revolutionising the same day industry benefiting both providers and customers.

It is the backbone of our business and has been central to our growth. We continue to find ways to reduce complexity and improve efficiency through developing new and exciting technologies. It also ensures we remain a flexible and scalable business that is able to evolve the way we do things to make sure we support our clients over the long term.

Financial summary

Marking over a decade of unbroken growth

Gerard Keenan
Group Chief Financial Officer

Financial summary of 2016 and key performance indicators

The strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole.

On the 4th February 2016 the Company was incorporated and acquired 100% of the ordinary shares of CitySprint (UK) MidCo Limited and that company acquired 100% of the ordinary shares of CitySprint (UK) BidCo Limited.

On the 18th February 2016 CitySprint (UK) BidCo Limited acquired 100% equity holding in CitySprint (UK) Group Limited for consideration of £177,680,848.

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 on page 21.

Results

Turnover for the period was £134.4 million and EBITDA for the period was £15.6 million. Loss for the financial year was £16.0 million.

Twelve months consolidated trading is available in the accounts of CitySprint (UK) Ltd. These provide a more meaningful comparison of Group performance versus prior years and are therefore included opposite.

The business enjoys excellent relationships with its banking partners and at the year-end reported positively on all its covenant tests under its most up-to-date lending agreements with Clydesdale Bank, HSBC and RBS.

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.

We operate with excellent financial resources and we are well positioned to continue with our strategy of growing the business both organically and through selected acquisitions.

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.

Financial position

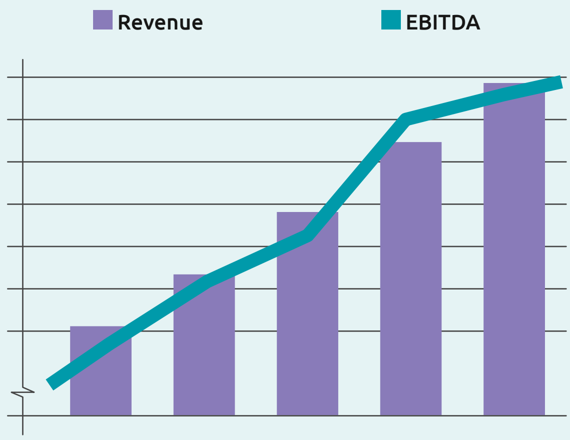
The Group is funded by both debt and equity; the debt funding is provided by external borrowings and is subject to meeting covenants set by the lender. During the year, the Group renegotiated its funding agreement with Royal Bank of Scotland plc and Clydesdale Bank at which point HSBC plc joined the Group's banking syndicate. Further detail in regard to debt funding can be found in creditors note 16. Group gearing and loss for the period are consistent with management expectation and the Group continues to generate a cash surplus. Day-to-day working capital requirements are serviced through the Group's receivables finance facility.

Management continually monitors the performance of the Company and Group

Financial summary

Revenue vs. EBITDA performance

	Revenue £m	EBITDA £m
2016	157.8	17.4
2015	146.0	16.7
2014	128.2	13.5
2013	112.7	12.4
2012	101.1	10.7



and is satisfied that they will continue to meet the liabilities and commitments of the Group as they fall due for the foreseeable future and for not less than the following 12 months.

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 17 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 swap 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 that 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 2016 were equivalent to 26 days' (2015: 24) purchases, based on the average daily amount invoiced by suppliers during the period.

G A M Keenan
Group Chief Financial Officer

27 April 2017

Board of Directors

1. David Burtenshaw | 65
Chairman
David has a strong track record in the logistics sector holding senior board positions for over 35 years. Prior to his chairmanship of the CitySprint board, David was Chairman at EuroExpress and CEO of Lynx Express – he managed the sale of Lynx to UPS in 2005. David has also held positions at Federal Express and ANC. He has been instrumental in the successful growth of CitySprint.

2. Patrick Gallagher | 50
Group Chief Executive Officer
Patrick has over 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). In 2014 he was named UK EY Entrepreneur of the Year for the London and South region and M&A Awards Dealmaker of the Year winner. He led the successful management buyout of CitySprint in 2010 and a subsequent secondary MBO in 2016 valuing the business at £175 million.

3. Gerard Keenan | 49
Group Chief Financial Officer
Gerard supported CitySprint's aggressive growth strategy by successfully refinancing the Group on four separate occasions (2005, 2007, 2011 and 2015) and assisted in two management buyouts in 2010 and 2016. He also led the successful acquisition and integration of 30 businesses into CitySprint. He was awarded Private Equity-Backed FD of the Year in 2015.

4. Nicholas Hoare | 35
Non-Executive Director
As a partner at Dunedin Nicholas is responsible for transaction deals across the UK, with a focus on business services and TMT. As well as other investments, Nicholas was involved in both buyouts of CitySprint (2010 and 2016) and has sat on the Boards of etc.venues and Steeper Holdings prior to their exits.

5. Andy Lyndon | 47
Non-Executive Director
Andy has experience of investing in a wide range of sectors including manufacturing, specialist engineering and financial services. Since joining LDC in 2001, his investments and exits have included CitySprint, Aqualisa, The NEC Group, Eley Group, Kee Safety, Node4, Electrium, Eveden, Cable Management Group, Aqualux and Omega Red. Andy was named 'Dealmaker of the Year' at Insider's Midlands Dealmakers Awards 2015.

Executive Team

1. Patrick Gallagher | 50
Group Chief Executive Officer
See previous page for full bio.

2. Gerard Keenan | 49
Group Chief Financial Officer
See previous page for full bio.

3. Paul Gisbourne | 44
Chief Operating Officer
Paul has full commercial, operational and service delivery responsibility across all business lines. He has been instrumental in the successful growth of CitySprint by strengthening the network with staff across all management levels, increasing fleet size and enhancing the implementation process to absorb new revenues rapidly. He 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.

4. Justin Moore | 46
Chief Sales Officer
Justin is responsible for all areas of marketing, new business development and brand promotion. He is the driving force behind improved new business revenue contribution to £7 million per year in five years. He delivered the new Group brand identity in 2012 and new company-wide intranet in 2014. He was also responsible for the On the dot branding, sales and marketing campaign in 2015.

5. Darren Taylor | 46
Chief Development Officer
Darren is the driving force behind the logistics revenue growth from 30% to 45% of CitySprint's business revenue (2010 vs. 2014). He has a track record of identifying opportunities and leading diversification into new sectors. He has driven annualised run-rate growth of >300% (over £28 million) in the pharmacy delivery, parts logistics and retail sectors. He also spearheaded a new approach to solution design, establishing and implementing several new service types.

6. Naomi Ward | 40
Chief Customer Officer
Naomi is responsible for the delivery of the Group's customer experience strategy, which touches over 12,500 clients across 41 locations. She led a strategic project to source a new company-wide CRM system in 2013 and introduced LiveChat and social media touch points to support a multi-channel contact centre.

7. Santosh Sahu | 37
CEO – LastMileLink Technologies
As CEO of LastMileLink Technologies (LMLT), an innovation incubator within the Group, Santosh is responsible for leading his team in the development of next generation last mile delivery software. He was also responsible for the design and implementation of On the dot's defined timeslot delivery platform. Prior to LMLT he worked at Capgemini and held consulting positions at John Lewis, Sainsbury's and Tesco to develop sustainable multi-million pound supply chain strategies. He has an MBA from Henley Business School in the UK.

Business services support, partner solutions and specialist services

Service lines

- Business services support
- Partner solutions
  - 3PL
- Specialist services
  - Baggage repatriation
  - In-night
  - Document Solutions

Revenue

£103.7m

Share of total CitySprint Group revenue

66%

Innovation

The flexibility of our network, our innovative approach and our capability in bespoke first and final mile logistics enables us to provide optimised, robust, reliable and scalable logistic solutions. It is our ability to adapt our service to suit our client's infrastructure and service requirements that differentiates us.

Providing a bespoke service that is secure, auditable and traceable is key to many of our clients, particularly those involved in the movement of highly sensitive or classified information. Our solutions design team, using their experience and leading edge routing software, streamline and optimise our customer's delivery routes to ensure they are the most effective and efficient use of resource.

Technology

Our technology enables us to provide a fully auditable and traceable end-to-end delivery service. Items are scanned at multiple points throughout the delivery giving our customers a complete history. We have also developed our logistics platform to allow our design solutions team to manage more complex delivery networks more easily. It also helps us to continually improve the service we offer whilst mitigating against risk and optimising cost efficiencies.

2016 performance

Business services support

2016 has seen a growth in our ad-hoc and pre-booked same day delivery services for commercial segments including finance; media; government; legal services and the FMCG sector.

Partner solutions

3PL: We won a number of significant contracts in 2016 as our support for major 3PL's continues. In particular we have experienced a large increase in the provision of stock handling and stock replenishment to support new business wins both locally and nationally. Our service centre network and ability to provide a full warehouse management system has also led to a growth in the provision of swap out services to the mobile communications sector.

Specialist services

Baggage repatriation: Our CitiBags business provides repatriation services for delayed luggage and lost property for over 70 airlines across the UK and Northern Ireland. 2016 was a positive year with a number of new wins and the renewal of our contract with one of the world's largest airline groups. We also expanded our services into new areas in response to the growth within the aviation sector.

In-night: Our specialist In-night service has experienced positive growth as customers seek to utilise their distributed and highly specialised mobile workforces more effectively. Following a successful 12-month trial, 2016 has seen the Group appointed as preferred same day delivery partner for Stannah, following a successful integration into the In-night network. In May, the Group also launched an enhanced In-night IT portal, improving user experience via our web-based platform with scope to introduce new clients seamlessly.

Document Solutions: Our digital print, mailing and distribution business extended their offering adding polywrap and international postal services to the business. This follows the successful acquisition and integration of PCM, (with over £2.5 million in turnover) in December 2016.

2017 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 explore new opportunities and partnerships as we build on our current capability and extend our service offering.

Healthcare

Service lines

- Pharmacy deliveries
- Hospital services
- Pathology and specimen transportation
- Clinical trials logistics

Revenue

£37.0m

Share of total CitySprint Group revenue

23%

Innovation

Providing innovative delivery solutions is a key point of differentiation for our Healthcare business. We continue to invest in innovation to improve our services and meet the evolving needs of our customers.

Our Pharmacy to Home delivery service is designed to help pharmacies improve the efficiency and security of patient medication deliveries. The innovative new service utilises our leading technology and processes to collect prescriptions from doctors' surgeries, and deliver patient medication from local or nominated pharmacies to patients' homes, care homes and prisons.

Our market insight, understanding of the demands placed on the healthcare industry and experience working within the sector, ensured we developed a service that truly answers the needs of retail community and clinical pharmacies. The service provides a simple way for pharmacies to add value to their core services, whilst reducing overheads and supplementing their income.

> **The new CitySprint Pharmacy to Home proposition is a perfect collaboration between our current resources and where we envisage the future of prescription home delivery. The technology and associated management information that CitySprint provide mean that we can capture and monitor every area of this service.**
>
> **Nimesh Patel**
> Operations, Logistics & Wholesale Manager, Manichem Group Ltd

Technology

We continue to explore how we can utilise technology to transform operations, drive efficiencies and improve customer experience.

Our Pharmacy to Home delivery technology provides pharmacies with the opportunity to introduce business efficiencies, remain compliant with regulations and keep pace with patient demand.

Through our technology we are able to provide a fully tracked end-to-end delivery service, customer reporting and status updates, operational dashboards and electronic proof of delivery. The live insights also allow operators to flex delivery routes and manage emergency journeys in real-time. And by analysing data retrospectively via a reporting suite, pharmacies are able to improve productivity.

2016 performance

Healthcare revenues have grown from £8 million in 2010 to £37 million in 2016 – an increase of 360% in just six years.

Pharmacy deliveries: Since its launch in September, our Pharmacy to Home offering has seen considerable interest from national high street retail pharmacies keen to take advantage of the opportunity to improve their home delivery service. A number of trials are under way.

Hospital services: Our work to support NHS Trusts continues. In 2016, we extended our services with a number GP practices delivering patient records into every GP across the UK once a week. We also operate a fulfilment service for GP consumables in south and central UK, and rotate movement of medical equipment for sterilisation in readiness for use in hospital operating theatres.

Pathology and specimen transportation: We have seen an increase in hospitals using our technology to track the transportation of GP patient samples and patient records ensuring there is always an end-to-end chain of custody.

Clinical trials logistics: 2016 has seen us continue our work with hospital universities to deliver samples internationally under specialist temperature monitored conditions. We have also expanded our service into animal blood transportation to provide quick and convenient access to pet blood for veterinary practitioners across the UK.

2017 outlook

We continue to see strong growth prospects in our Healthcare business. Our focus is to ensure we are well placed to support the healthcare sector and see our Pharmacy to Home delivery service as a long-term and sustainable growth opportunity.

CitySprint Group innovation:

Derriford Hospital

Leading with excellence, caring with compassion

Plymouth Hospitals NHS Trust is the largest hospital in the South West Peninsula, providing comprehensive secondary and tertiary healthcare. The pharmacy at Derriford Hospital, one of the main sites within the Trust's network, supports not only the needs of the general hospital but also its patients within the community.

In 2016, CitySprint, via its Pharmacy to Home service, made over 900 critical medication deliveries to patients' homes on behalf of the hospital. It is a service that has proved invaluable, particularly to those suffering with long-term illnesses who can now receive specialist treatment in their own home.

Our Pharmacy to Home service, which is supported by leading technology and specific medication delivery doorstep processes, ensures Derriford Hospital can offer a convenient and compliant delivery service that helps support its patients in the community.

CitySprint Group innovation:

Wickes

The first DIY retailer to launch a one-hour same day delivery service

Wickes partnered with On the dot to improve their customer experience by offering more choice when it comes to delivery. Through ‘Wickes Hourly’, customers in any of its 220 UK stores can have a range of home improvement products delivered directly to their door at a time convenient to them.

The partnership made Wickes the first DIY retailer in the UK to offer its customers a nominated one-hour delivery service, available seven days a week.

Key to this partnership was the integration of On the dot’s innovative technology directly into Wickes’ e-commerce site, ensuring a consistent customer journey by extending the service beyond the store.

“At Wickes, our mission is to place our customers firmly at the centre of our business. By providing a delivery offer that is truly convenient and fits in with their busy lives, we can extend that service beyond our stores, ensuring it is an integral part of the entire shopper journey, from purchase to receipt.

Duncan Kendal
Supply Chain Director, Wickes

Retail

Service lines

- Timeslot delivery
- Store and stock replenishment
- Food and beverage delivery

Revenue

£17.1m

Share of total CitySprint Group revenue

11%

Innovation

On the dot, our innovative retail delivery service allows customers to select a specified hourly timeslot of their choice. Launched with the aim of transforming the shopping experience, the service helps high-street retailers offer highly convenient deliveries at a competitive price.

On the dot can also be used as a flexible last mile solution for customers who 'click but don't collect'. Using the service helps retailers reduce the amount of stock abandoned in stores that they would otherwise have to ship back to their distribution centre. A further benefit is our returns service, which allows customers to return unwanted items from their address within a one-hour collection timeslot.

Technology

On the dot is based on innovative new technology designed to dynamically display capacity across our delivery network. The platform makes one-hour delivery timeslots visible to both retailers and shoppers based on factors such as courier availability and customer and store locations.

On the dot's RESTful API, enables retailers to easily integrate our delivery technology directly into their e-commerce environment both online and in-store. The technology is based on an algorithm that dynamically displays driver capacity in designated one-hour timeslots. In addition, retailers can offer a 'Get it now' delivery service by integrating with our immediacy API.

2016 performance

Timeslot delivery: On the dot experienced positive growth in 2016. The service was made available across the UK and demand for the technology grew steadily with customer integrations for major brands such as adidas, MATCHESFASHION.COM, Wickes and Zalando UK. 2016 saw us partner with over 38 retailers with bookings in December exceeding 4,500.

Store and stock replenishment: 2016 saw us strengthen our partnership with high street retailers looking to replenish stock in their stores. Collections are made from larger stores by 6am, and using a hub and spoke model, delivered into smaller stores for 9am the same day. Retailers are also increasing using our service to fulfil 'click and collect' orders, moving stock from one store to another.

Food and beverage delivery: Our food and beverage business is growing steadily as we expand our service with a new contract win, following the successful pilot of hot food deliveries. We also continue our partnership with a key client to deliver fresh food that has been extended to include evening deliveries in London.

On the dot was highly commended at the Retail Systems Awards for Delivery Initiative of the Year.

2017 outlook

Our Retail business is well placed to capitalise on the expected growth of the retail delivery market as emerging delivery options such as same day and timeslot mature. 2017 will see our On the dot offering expand to include new retail segments as we form partnerships with businesses that seek to innovate their delivery experience. We also expect our food and beverage business to benefit from a sector that is undergoing rapid growth.

Sustainability

We understand that we have a responsibility to our employees, 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, environment, local communities and society as a whole.

Stewardship and governance

The Board of Directors oversee and have the responsibility for setting the Group's strategy and performance. They also have overall accountability for the Group's sustainability and CSR.

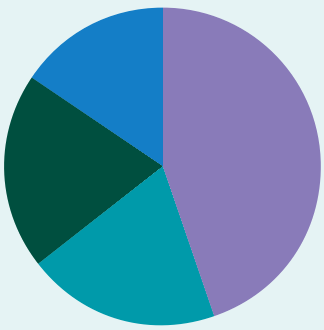
The Board is committed to high standards of corporate governance, operating with an independent chairman, two executive directors and two non-executive directors who meet regularly throughout the year. Additional meetings are held with the Executive Team to discuss the strategic and operational development of the business. In 2016, the Board met 10 times. The Executive Team met on 11 occasions.

Our people

Our people are at the core of our business. They are key to our success, bringing our values to life and putting our strategy into action. We are a dynamic company that relies on individuals with passion and creativity to continually develop our business and who are engaged in what we do for our customers.

In 2016, we had an average monthly headcount of 815 people with 365 employed in our regional operations and 162 employed in our London operations. The remaining 288 are made up of sales and marketing, managers and administration staff. Staff turnover also decreased by 6% in 2016.

Headcount by division



- Regional operations **365**
- London operations **162**
- Sales and marketing **163**
- Managers and administration **125**

Developing our people

We value the talents, skills and capabilities of our people and are committed to providing an inclusive workplace with excellent opportunities for professional growth and career advancement. We understand the importance of attracting, developing and retaining the best people if we are to create a culture that reflects our core values. We want to ensure that we provide the potential leaders of CitySprint Group with the skills to grow our business and to help deliver our vision of being the major same day distribution partner of choice, whilst ensuring we have the capabilities in place to implement our strategy.

> **We want to ensure that we provide the potential leaders of CitySprint Group with the skills to grow our business and to help deliver our vision of being the major same day distribution partner of choice.**

We currently offer a diverse range of bespoke training and development programmes to ensure our people receive business relevant skills and learning. 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 Group.

Working with young staff

We aim to nurture and develop talent from an early age. Since 2013, we have been involved in the Advanced Apprenticeship Scheme in Business Administration, offering full-time employment in key areas of the business such as HR, IT and marketing. The Scheme provides valuable workplace experience for young people and to date CitySprint Group have worked with over 20 individuals.

Engaging and inspiring talent

In 2016, we launched our Shining Star Award programme that recognises and celebrates the success of outstanding employees who have been inspired to live our values and deliver our customer promise. Each quarter, our Values Committee review a shortlist of employees, nominated by staff within the business, selecting a winner who best represents each of the four company values: flair, reliability, accountability and empathy.

Colleague engagement levels, as measured by our bi-annual opinion survey, continue to remain strong. The 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. The results have enabled the development of targeted action plans at Group and local level.

Our employee representative body has also helped to improve communication throughout the Group. Meeting on a quarterly basis, the Employee Forum is an opportunity for representatives to make a valuable contribution to CitySprint Group with benefits such as Medicash for all employees, season ticket loans, life insurance, corporate gym membership and an employee referral scheme being introduced.

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. Open communication channels such as face-to-face briefings, quarterly updates on our operational and financial results and our company-wide intranet provide a vital source of company information. These have further helped to increase employee engagement and communication across all our service centres.

97%

of employees believe in CitySprint Group's values

Valuing our couriers

Our self-employed, professional courier fleet of over 3,200 is the largest in the UK, doubling in the past five years. We offer excellent opportunities for our couriers who can choose from a range of courier work to best suit them, from our fast food delivery rider fleet, to our local and professional courier fleet.

All of our self-employed couriers benefit from flexible working hours, high earning potential, ongoing 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 for each courier whilst working with us.

In 2016, four of our couriers were recognised by the industry at the Institute of Couriers, National Courier Awards.

Communities

We are focused on ensuring that our strategy and culture provides our people with the right platform to grow and develop their careers, but also allows them to be involved in activities that are socially responsible and enables them to engage with the communities in which they live and work.

Developing good relationships and supporting our local communities is something we pride ourselves on. During 2016, we were involved in a number of charitable activities.

Charitable activities

Crisis: CitySprint Group has worked with our charity partner, Crisis, the national charity for single homeless people, since 2010. We offer practical, year round support from providing vehicles for the Crisis team to collect and distribute donations, to helping people move into permanent accommodation.

Crisis

XLP: A charitable donation made on behalf of the Group helped support at least five at risk children through one of XLP's programmes. The charity works to create a positive future for young people living in inner cities who are faced with issues such as bullying and intimidation, absence of parents, gangs and living in areas with high crime rates.

XLP
WORKING TO CREATE POSITIVE FUTURES FOR YOUNG PEOPLE

Sustainability continued

Warm Hugs Appeal: For the sixth consecutive year we have assisted one of our clients, Mitie, by providing a dedicated van to collect donations for their Warm Hugs Appeal. The initiative supports The Passage, a Victoria-based charity that offers a wide range of services to the homeless in Westminster.

CitySprint Group Easter Egg Mountain Campaign: Challenged with building the largest Easter egg mountain, colleagues across all of our service centres donated chocolate for charity. Forming partnerships with local businesses and winning the support of major supermarkets, the CitySprint team collected over 10,000 eggs, which were donated to 48 charities and food banks across the UK.

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 provide equipment, kit and training materials for local sports teams that share our corporate values.

Environment

We seek to minimise the impact we make on the environment and the communities in which we operate. We do this by utilising renewable energy sources in our service centres, recycling our waste, optimising the efficiency of our fleet and continuing to invest in ultra-low emission vehicles.

Reducing our impact on the environment

As a business we are committed to identifying and managing the impact of our operations and business activities on the environment. We remain focused on reducing our environmental impact by:

- Reducing paper use across the business: This remains a key objective for the Group. Our target for 2017 is to reduce the amount of paper used by 10%
- Recycling our waste: In 2016 we recycled over 193 tonnes of paper, card, plastic and metal reaching our target of recycling 75% of all waste through service centre recycling collections
- Reducing our business miles: Our target for 2017 is to reduce our business miles by 5%
- Energy use: In 2016 we reached our target of rolling out smart meters to all our service centres, with our London Central Service Centre seeing a 28% reduction in energy use over the last two years. All energy monitoring is now conducted online

193

tonnes of waste recycled

Environmental standards

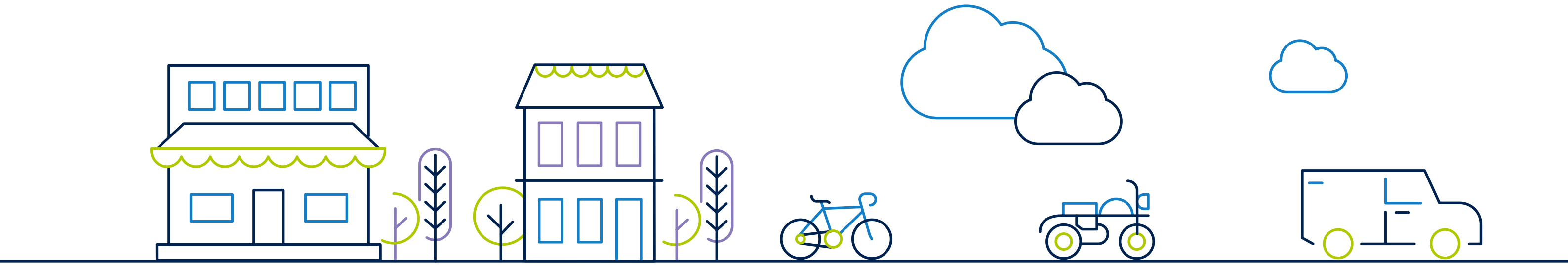
CitySprint is certified to ISO 14001 standards, an important environmental management system, which supports the continuous improvement of energy consumption and waste management.

Reducing emissions

Continued investment in technology is helping us 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 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.



All of our service centres operate using zero emission solar or wind energy. 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.

All of our service centres operate using zero emission solar or wind energy.

Furthermore, we are actively reducing emissions from staff travel by promoting train travel, car sharing, and video conferencing whenever possible.

Expanding our green fleet

Pushbikes are a core part of our business with over 90 cycle couriers in London at peak demand. 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. In collaboration with a UK cargo bike manufacturer, our fleet will increase in 2017, with latent potential outside of London.

2016 also saw 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.

The green fleet expansion is also helping CitySprint Group prepare for the 2017 central London Toxicity Charge and 2019/20 Ultra Low Emission Zone implementation.

>90

cycle couriers in London at peak demand

We continue to find innovative ways of optimising our fleet to ensure the lowest possible emissions, and are committed to collaborating with Transport for London and the broader community to improve London's air quality.

Officers and professional advisers

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

Company Secretary
G A M Keenan

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

Bankers
HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ

The Royal Bank of Scotland PLC
280 Bishopgate
London
EC2M 4RB

Clydesdale Bank
15th Floor, The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

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 period 4 February to 31 December 2016.

Principal activities

The company was incorporated on the 4 February 2016.

The company name was changed on the 13 May 2016 to CitySprint (UK) Holdings Limited.

The principal activities of the Group during the period were the provision of Same Day Courier services and development of the CitySprint Group's IT systems.

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's statement on page 2 and can be found in the subsequent event note 25.

Research and development

During 2016 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 has 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. Group gearing and loss for the period are consistent with management expectation and the Group's business model. Performance remains within the requirements of the Group's banking covenants and the Group continues to generate a cash surplus. The group is funded by Shareholder loans, a receivables finance facility, fixed term loan A and loan facility B. For further details including principals, interest profile and facility end dates see creditors note 17.

Further details regarding the adoption of the going concern basis can be found in the strategic report – financial position and the Statement of accounting policies in note 1 of 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 strategic report.

The use of financial derivatives is governed by the Groups 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 period except as noted, were as follows:

D J R Burtenshaw	(Appointed 18th February 2016)
P A Gallagher	(Appointed 18th February 2016)
N D S Hoare	(Appointed 4th February 2016)
G A M Keenan	(Appointed 18th February 2016)
A Lyndon	(Appointed 18th February 2016)
N Meissner	(Appointed 29th November 2016)

Directors' indemnities

Directors and officer's indemnity insurance was in place throughout the period and at the date of approval of these financial statements.

Charitable contributions

During the period the Group made charitable donations of £12,829.

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.

Deloitte LLP was appointed during the period. 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 2017

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 FRS 102 "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 Group and the Company 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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) Holdings Limited

We have audited the financial statements of CitySprint (UK) Holdings Limited for the period 4 February to 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 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 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 2016 and of the Group's loss for the period 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

James Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
27 April 2017

Consolidated statement of comprehensive income

For the period 4 February 2016 to 31 December 2016

	Note	2016 £
Turnover	3	**134,441,092**
Cost of sales		**(89,994,899)**
Gross profit		**44,446,193**
Administrative expenses		**(51,098,635)**
Operating loss		**(6,652,442)**
Operating loss comprises:		
EBITDA		**15,568,460**
Non-trading items	8	**(3,350,653)**
Depreciation		**(3,163,184)**
Amortisation of Intangible Asset		**(9,563,885)**
Amortisation of Goodwill		**(6,143,180)**
Finance costs (net)	7	**(9,457,642)**
Loss on ordinary activities before taxation	4	**(16,110,084)**
Tax on loss on ordinary activities	9	**154,088**
Loss for the financial period		**(15,955,996)**
Loss for the period attributable to:		
Equity shareholder of the Company		**(15,955,996)**

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

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

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-trading items (see note 8).

Consolidated balance sheet

As at 31 December 2016

	Note	2016 £
Fixed assets		
Goodwill	11	**88,645,015**
Intangible assets	12	**83,960,925**
Tangible assets	14	**7,950,677**
		180,556,617
Current assets		
Debtors:		
– amounts falling due within one year	16	**32,795,359**
– amounts falling due after more than one year	16	**1,506,970**
Cash at bank and in hand		**257,539**
		34,559,868
Creditors: Amounts falling due within one year	17	**(35,704,978)**
Net current liabilities		**(1,145,110)**
Total assets less current liabilities		**179,411,507**
Creditors: Amounts falling due after more than one year	17	**(154,737,749)**
Net assets		**24,673,758**
Capital and reserves		
Called-up share capital	19	**7,782**
Share premium account		**40,621,972**
Profit and loss account		**(15,955,996)**
Shareholder's funds		**24,673,758**

The financial statements of CitySprint (UK) Holdings Limited (registered number 09987453), were approved by the board of directors and authorised for issue on 27 April 2017.

They were signed on its behalf by:

P A Gallagher
Director

Company balance sheet

As at 31 December 2016

	Note	2016 £
Fixed assets		
Investments	15	**1**
		1
Current assets		
Debtors:		
– amounts falling due within one year	16	**–**
– amounts falling due after more than one year	16	**116,011,188**
Cash at bank and in hand		**777**
		116,011,965
Creditors: Amounts falling due within one year	17	**–**
Net current assets		**116,011,965**
Total assets less current liabilities		**116,011,966**
Creditors: Amounts falling due after more than one year	17	**(75,561,525)**
Net assets		**40,450,441**
Capital and reserves		
Called-up share capital	19	**7,782**
Share premium account		**40,621,973**
Profit and loss account		**(179,314)**
Shareholder's funds		**40,450,441**

The financial statements of CitySprint (UK) Holdings Limited (registered number 09987453) were approved by the board of directors and authorised for issue on 27 April 2017.

They were signed on its behalf by:

P A Gallagher
Director

Consolidated statement of changes in equity

For the period 4 February 2016 to 31 December 2016

	Equity attributable to the equity shareholders of the Group			
	Called-up share capital	Share Premium account £	Profit and loss account £	Total £
At 4 February 2016	–	–	–	–
Loss for the financial period	–	–	(15,955,996)	(15,955,996)
Issue of shares	7,782	40,621,972	–	40,629,754
At 31 December 2016	**7,782**	**40,621,972**	**(15,955,996)**	**24,673,758**

Company statement of changes in equity

For the period 4 February 2016 to 31 December 2016

	Equity attributable to the equity shareholders of the Company			
	Called-up share capital	Share Premium account £	Profit and loss account £	Total £
At 4 February 2016	–	–	–	–
Loss for the financial period	–	–	(179,314)	(179,314)
Issue of shares	7,782	40,621,973	–	40,629,755
At 31 December 2016	**7,782**	**40,621,973**	**(179,314)**	**40,450,441**

Consolidated cash flow statement

For the period 4 February 2016 to 31 December 2016

	Note	2016 £
Net cash flows from operating activities	A	**7,385,140**
Cash flows from investing activities		
Purchase of tangible fixed assets		**(775,206)**
Purchase of intangible assets R&D		**(6,614,705)**
Purchase of intangible acquisition		**(12,387,736)**
Acquisition of subsidiary		**(106,343,865)**
Deal fees		**(819,830)**
Management investment		**40,372,585**
Cash acquired with subsidiaries		**93,329**
Net cash flows used in investing activities		**(86,475,428)**
Cash flows from financing activities		
Bank loan interest paid		**(3,509,659)**
Increase in short term banking facilities		**7,216,294**
New bank loan raised		**69,000,000**
Debt issue costs		**(5,398,062)**
New shareholder loans		**70,652,620**
Repayment of bank loan		**(15,237,500)**
Repayment of shareholder loan		**(43,994,958)**
Proceeds on issue of shares		**257,170**
Obligations under finance lease		**361,922**
Net cash flows generated from financing activities		**79,347,827**
Net increase in cash and cash equivalents		**257,539**

Notes to the consolidated cash flow statement

For the period 4 February 2016 to 31 December 2016

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

	2016 £
Operating loss	(6,652,442)
UK corporation tax movement	(37,472)
Depreciation of tangible fixed assets	3,163,184
Amortisation of intangible assets	9,563,885
Amortisation of goodwill	6,143,180
Increase in debtors	(7,138,305)
Increase in creditors	2,343,110
Net cash inflow from operating activities	**7,385,140**

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

	2016 £
Cash inflow in the period	257,539
Cash outflow from bank loans	(61,340,715)
Cash outflow from shareholder loans	(26,811,131)
Movement in net debt	(87,894,307)
Net debt at 4 February	–
Acquired on acquisition	(69,544,504)
Net debt at 31 December	**(157,438,811)**

C. Analysis of changes in net debt

	4 February 2016 £	Cash flows £	Non Cash items £	31 December 2016 £
Cash at bank and in hand	–	257,539	–	257,539
Debt due within one year	–	(16,920,715)	–	(16,920,715)
Debt due after more than one year	–	(140,775,635)	–	(140,775,635)
	–	(157,438,811)	–	(157,438,811)

Notes to the financial statements

For the period 4 February 2016 to 31 December 2016

1. Accounting policies

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

General information and basis of accounting

CitySprint (UK) Holdings Limited is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on page 20.

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 functional currency of CitySprint (UK) Holdings Limited is considered to be pound 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 newly incorporated Company and its subsidiary undertakings drawn up for the 10-month period to 31 December 2016. Full 12-month trading results can be viewed in the financial statements of CitySprint UK Ltd. 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.

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.

Group gearing and loss for the period are consistent with management expectation and the Group's business model. Performance remains within the requirements of the Group's banking covenants and the Group continues to generate a cash surplus. The group is funded by Shareholder loans, a receivables finance facility, fixed term loan A and loan facility B. For further details including principals, interest profile and facility end dates see creditors note 17. 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.

Intangible assets – 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.

Intangible assets – customer relationships and brands

On acquisition the intangible assets acquired are identified and the fair value of the goodwill relating to customer relationships and brands are separately identified and capitalised and written off on a straight line basis over a useful economic life of not more than 15 years.

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 relationships	2 – 15 years
Brand	10 years
Software	3 years
Technology	3 years

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. The period is 4 years. Provision is made for any impairment.

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

1. Accounting policies continued

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 assets 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; or (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).

(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.

1. Accounting policies continued

Financial instruments continued

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 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) 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.

v) 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.

Taxation

Current tax, including UK corporation 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold. 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.

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

1. Accounting policies continued

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.

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 period 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.

Capitalisation of development costs

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised provided benefits are probable, costs can be reliably measured and the product or process is technically and commercially feasible and the group has sufficient resources to complete the development.

The expenditure capitalised includes the cost of material, direct labour and directly attributable overheads. Other development expenditure is recognised in the income statement as expenses are incurred.

2. Critical accounting judgements and key sources of estimation uncertainty continued

Key source of estimation uncertainty – Impairment

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.

Key source of estimation uncertainty – 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.

Recoverability of deferred tax asset

The ability to use brought forward tax losses depends on future profitability in the Company with the losses and the tax regulations in the country. Management must assess 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.

4. Loss on ordinary activities before taxation

	2016 £
Loss on ordinary activities before taxation is stated after charging:	
Depreciation of owned tangible fixed assets	**3,163,184**
Amortisation of intangible fixed assets	**9,563,885**
Amortisation of goodwill	**6,143,180**
Operating lease rentals:	
– Other assets	**1,592,979**
– Plant and machinery	**279,280**
Gain on foreign currency transactions	**5,725**

The analysis of auditor's remuneration is as follows:

	2016 £
Fees payable to the Company's auditor for the audit of the parent Company's annual financial statements	**–**
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	**73,715**
Total audit fees	**73,715**
Non-audit fees:	
Taxation compliance services	**39,900**
Total non-audit fees	**39,900**

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

5. Staff numbers and costs

Group	2016 £
Staff costs during the period:	
Wages and salaries	18,730,923
Social security costs	1,940,273
Pension costs	175,663
	20,846,859

	2016 no.
The average monthly number of persons employed during the period:	
London operations	162
Regional operations	365
Management and administration	125
Sales and marketing	163
	815

CitySprint (UK) Holdings Limited as no employees.

6. Directors' remuneration and transactions

	2016 £
Directors' remuneration:	
Emoluments	480,650
Company contributions to defined contribution pension schemes	2,000
	482,650

	No.
The number of directors who are:	
Members of the defined contribution scheme	2

	£
Remuneration of the highest paid director:	
Emoluments	168,348
Company contributions to defined contribution pension schemes	1,667
	170,015

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

The directors' remuneration is paid by CitySprint (UK) Bidco Limited.

7. Finance costs (net)

	2016 £
Interest payable and similar charges	
Interest on bank loans wholly repayable within seven years	3,438,288
Interest on shareholder loans	4,908,905
Corporation tax interest received	(134)
Finance lease interest	71,320
Movement in fair value of financial instruments	396,451
Amortisation of loan arrangement fees	642,626
Other bank fees	186
	9,457,642

8. Non-trading items

	2016 £
Refinancing and related costs	2,048,156
Management buyout additional costs	548,818
One off legal fees	305,628
Investor fees	201,537
Last Mile Link Technologies Limited start-up costs	246,514
	3,350,653

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 credit comprises:

Group	2016 £
Current tax on profit on ordinary activities	
UK corporation tax	–
Total current tax	–
Deferred tax	
Origination and reversal of timing differences	360,884
Intangible asset deferred tax movement	(514,972)
Total deferred tax	(154,088)
Total tax on loss on ordinary activities	(154,088)

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

9. Tax on loss on ordinary activities continued

The standard rate of tax applied to the reported profit on ordinary activities is 20%. The applicable tax rate has changed following the substantive enactment of the Finance (No 2) Act 2016. During the year beginning 1 January 2016, it is not expected that the deferred tax asset relating to capital allowances will reverse in the period. 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:

	2016 £
Group loss on ordinary activities before tax	**(16,110,084)**
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 20%.	**(3,222,017)**
Effects of:	
Expenses not deductible for tax purposes	**3,026,519**
Unrecognised deferred tax movements	**41,410**
Group total tax credit for the period	**(154,088)**

Deferred tax asset

Deferred tax is provided as follows:

Group	2016 £
At 4 February 2016	**–**
Bought into the Group on acquisition	**(1,867,854)**
Charged to the profit and loss account	**360,884**
At 31 December 2016	**(1,506,970)**

Group	2016 £
Decelerated capital allowances	**(1,077,470)**
Tax losses	**(287,055)**
Other timing differences	**(142,445)**
Deferred tax asset	**(1,506,970)**

Deferred tax not recognised

Group	2016 £
Other timing differences	**65,176**

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

9. Tax on loss on ordinary activities continued

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.

Deferred tax liability

Group	2016 £
At 4 February 2016	–
On acquisition	13,459,975
Deferred tax arising on trade acquisitions	1,017,110
Charged to the profit and loss account	(514,972)
At 31 December 2016	**(13,962,113)**

The deferred tax liability arises on intangibles on business combinations and trade acquisitions.

Factors that may affect future tax charge

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. 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 period dealt with in the financial statements of the parent Company was £179,314. 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. Goodwill

All	Total £
Cost	
At 4 February 2016	–
Additions	94,892,101
Contingent consideration not paid	(103,906)
At 31 December 2016	94,788,195
Accumulated amortisation	
At 4 February 2016	–
Charge for the period	6,143,180
At 31 December 2016	6,143,180
Net book value	
At 31 December 2016	88,645,015

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

12. Intangible fixed assets

Group	Technology £	Customer relationships £	Software £	Brand £	Total £
Cost					
At 4 February 2016	–	–	–	–	–
Additions	6,614,705	60,550,275	659,830	25,700,000	93,524,810
At 31 December 2016	6,614,705	60,550,275	659,830	25,700,000	93,524,810
Accumulated amortisation					
At 4 February 2016	–	–	–	–	–
Charge for the period	864,686	6,240,814	316,719	2,141,666	9,563,885
At 31 December 2016	864,686	6,240,814	316,719	2,141,666	9,563,885
Net book value					
At 31 December 2016	5,750,019	54,309,461	343,111	23,558,334	83,960,925

13. Business combinations

On 18 February 2016, the Group acquired 100% of the ordinary shares in CitySprint (UK) Group Limited for £177,680,848 satisfied as follow:

	£
Cash consideration	109,080,089
Repayment of shareholder loans and interest	43,994,958
Repayment of fixed term bank debt	15,237,500
Repayment of receivables finance facility	9,368,301
Total consideration	177,680,848

CitySprint (UK) Group Limited is a leading provider of same day courier services. CitySprint (UK) Group Limited has a strong position in its market and a well-established customer base. For the growth opportunities please refer to the strategic report on page 20.

In the period 18 February 2016 to 31 December 2016 CitySprint (UK) Group Limited and its subsidiaries contributed an EBITDA result of £15,568,459 to the consolidated EBITDA for the period. If the acquisition occurred on the 1 January 2016, EBITDA would have been estimated at £17,460,722.

In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on the 1 January 2016. These figures also include the impact of a full period of amortisation charge (after tax) of the intangible assets which arose on acquisition.

The acquisition has been accounted for using the purchase method accounting. The goodwill arising is subject to annual impairment reviews (see note 11).

13. Business combinations continued

Net assets acquired and fair value adjustment:

The acquisition had the following assessed fair values for the identifiable assets and liabilities acquired:

	Book value £	Provisional fair value adjustment £	Fair value £
Tangible assets	10,338,656	–	10,338,656
Intangible assets	8,113,362	73,146,468	81,259,830
Goodwill	35,286,353	(35,286,353)	–
Net working capital	10,839,380	–	10,839,380
Cash	93,329	–	93,329
Deferred tax asset	1,867,854	–	1,867,854
Finance lease liability	(943,744)	–	(943,744)
Deferred tax liability	–	(13,459,975)	(13,459,975)
Net assets	65,595,190	24,400,140	89,995,330
Goodwill arising on acquisition			87,685,518
Total consideration			177,680,848

The Group also acquired six businesses during the period for a total consideration of £11,019,920 of which £2,611,641 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 relationships and acquisition goodwill. Of the total consideration paid, £6,240,499 relates to customer lists which are being amortised between 2 and 5 years. The remainder relates to goodwill which is the difference between the consideration paid and the fair value of customer lists.

Included within the above, on 30 September 2016, the group acquired the courier business and certain assets of Excel Group Services Limited which was financed through the use of group's banking facilities. In the period ended 31 December 2016 this business contributed a net loss before tax of £315,029 to the consolidated net profit for the period. The acquisition had the following assessed fair values for the identifiable assets and liabilities acquired:

	Book value £	Provisional fair value adjustment £	Fair value £
Intangible assets	–	3,841,452	3,841,452
Deferred tax liability	–	(691,461)	(691,461)
Net assets	–	3,149,991	3,149,991
Goodwill arising on acquisition			4,496,531
Total consideration (including deal fees)			7,646,522

Of the total consideration £6,629,265 was paid in the year and the balance of £1,017,257 is in respect of contingent consideration. Intangible assets comprise customer relationships acquired through the business combination.

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

14. Tangible fixed assets

Group	Short leasehold improvements £	Computer equipment £	Fixtures and fittings £	Other equipment £	Mobile devices £	Total £
Cost						
At 4 February 2016	–	–	–	–	–	–
Additions	1,089,179	7,703,065	470,836	263,395	1,587,386	11,113,861
At 31 December 2016	1,089,179	7,703,065	470,836	263,395	1,587,386	11,113,861
Accumulated depreciation						
At 4 February 2016	–	–	–	–	–	–
Charge for the period	170,028	2,540,066	128,592	42,264	282,234	3,163,184
At 31 December 2016	170,028	2,540,066	128,592	42,264	282,234	3,163,184
Net book value						
At 31 December 2016	919,151	5,162,999	342,244	221,131	1,305,152	7,950,677

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.

15. Investments

Company	Subsidiary undertakings £
At 4 February 2016	–
Additions in the period	1
At 31 December 2016	1

Details of the investments in which the Company holds at least 100% of the nominal value of any class of share capital all of which are included within the consolidated results of the group are set out below.

Subsidiary undertakings

Name of company	Holding	%	Principal activity	Country of incorporation
Held by the Company				
CitySprint (UK) MidCo Ltd	Ordinary shares	100%	Holding company	UK
Held by subsidiary undertakings				
CitySprint (UK) Bidco Ltd	Ordinary Shares	100%	Holding company	UK
CitySprint (UK) Group Ltd	Ordinary Shares	100%	Holding company	UK
The Courier and Passenger Transport Holdings Limited	Ordinary Shares	100%	Holding company	UK
The 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

The registered address for all the above named subsidiaries is Ground Floor, RedCentral, 60 High Street, Redhill, Surrey, RH1 1SH.

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

16. Debtors

	Group 2016 £	Company 2016 £
Amounts falling within one year:		
Trade debtors	30,705,353	–
Prepayments	1,768,183	–
Accrued income	276,565	–
Other debtors	45,258	–
	32,795,359	–
Amounts falling after more than one year:		
Amounts due from subsidiary undertakings	–	116,011,188
Deferred tax asset	1,506,970	–
	1,506,970	116,011,188
Deferred tax asset after more than one year:		
Decelerated capital allowances	1,077,470	–
Other timing differences	429,500	–
	1,506,970	–

Based upon their projections of the group's future profitability, the directors are satisfied that sufficient profits will arise in the future to allow full recovery of the deferred tax asset.

17. Creditors

	Group 2016 £	Company 2016 £
Amounts falling due within one year:		
Bank loans	16,584,595	–
Trade creditors	5,998,034	–
Derivative financial instrument	474,501	–
Other taxation and social security	4,431,549	–
Driver pay	3,505,216	–
Contingent consideration	2,532,600	–
Finance lease obligation	336,120	–
Accruals	1,842,363	–
	35,704,978	–

17. Creditors continued

	Group 2016 £	Company 2016 £
Amounts falling due after more than one year:		
Shareholder loans and accrued interest	70,806,090	75,561,525
Finance lease obligation	969,546	–
Deferred tax	13,962,113	–
Bank loans	69,000,000	–
	154,737,749	75,561,525

The deferred tax liability expected to be reversed out within 12 months is £27,630.

Analysis of obligations under finance leases

	Group 2016 £	Company 2016 £
Finance leases:		
Between one and two years	357,536	–
Between two and five years	612,010	–
	969,546	–
On demand or within one year	336,120	–
	1,305,666	–

Analysis of finance lease cash payable

	Group 2016 £	Company 2016 £
Finance leases:		
Cash payable between one and two years	405,096	–
Cash payable between two and five years	642,423	–
	1,047,519	–
Cash payable on demand or within one year	405,096	–
	1,452,615	–

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

17. Creditors continued

Bank loans and shareholder loans

	Group 2016 £	Company 2016 £
Wholly repayable within 7 years:		
Shareholder loans and accrued interest	75,561,525	75,561,525
Less:		
Unamortised loan arrangement fees	(4,755,435)	–
	70,806,090	75,561,525
Term loan facility	69,000,000	–
Receivables finance facility	16,584,595	–
	85,584,595	–

The Shareholder loans due in more than one-year represent £70,652,620 Unsecured 8% Fixed Rate Loan notes that are listed on the Channel Islands Securities Exchange. Issue price is at par and the redemption date is 18 February 2023. The loans notes are issued to the shareholders of A1 and B1 shares and split as follows - LDC LP (£42,404,934), Dunedin LP (£24,515,872) and TMC II LP (£3,731,814). The accrued interest at 31 December 2016 is £4,908,905.

The group has a receivables finance facility with its bankers. The facility is available for a minimum period of 6 years. Drawdown is capped at £22,000,000. The drawdown against the outstanding debtors at 31 December 2016 is included within loans in creditors due within one year. Interest on the receivables finance facility is charged at 2.9% over LIBOR.

The group now has a fixed Term Loan A for £62.5m 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 £12.0m 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. £6.5m of this loan was utilised by 31 December 2016.

The loan arrangement fees amortise over the same period as fixed term loan A.

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

17. Creditors continued

Borrowings are repayable as follows:

Total borrowings including finance leases

	Group 2016 £	Company 2016 £
Between one and two years	357,536	–
Between two and five years	140,418,100	–
On demand or within one year	16,920,716	–
	157,696,352	–

18. Financial instruments

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

Financial assets

	Group 2016 £	Company 2016 £
Measured at undiscounted amount receivable		
• Trade debtors (see note 16)	30,705,353	–
• Other debtors (see note 16)	45,258	–
• Accrued income (see note 16)	276,565	–
Measured at amortised cost		
• Amounts due from subsidiary undertakings	–	116,011,188
	31,027,176	116,011,188

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

18. Financial instruments continued

Financial liabilities

	Group 2016 £	Company 2016 £
Measured at fair value through the profit and loss		
• Derivative financial liabilities (see note 18)	396,451	–
Measured at amortised cost		
• Loans payable (see note 17)	70,806,090	75,561,525
• Bank loans (see note 17)	85,584,595	–
• Obligations under finance leases (see note 17)	1,305,666	–
Measured at undiscounted amount payable		
• Trade creditors (see note 17)	5,998,034	–
• Other taxation and social security (see note 17)	4,431,549	–
• Driver pay (see note 17)	3,505,216	–
• Contingent consideration (see note 17)	2,532,600	–
• Accruals (see note 17)	1,842,363	–
	176,402,564	75,561,525

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

Finance income and expense

	Group 2016 £	Company 2016 £
Total interest expense for financial liabilities at amortised cost	9,457,642	10,675
Fair value gains and losses		
On derivative financial liabilities	(396,451)	–

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

19. Called up share capital and reserves

		2016 £
Allotted, called up and fully paid:		
163,252	Ordinary A1 shares of £0.005 each	**816**
163,252	Ordinary A2 shares of £0.005 each	**816**
86,748	Ordinary B1 shares of £0.005 each	**434**
86,748	Ordinary B2 shares of £0.005 each	**434**
45,000	Ordinary C1 shares of £0.100 each	**4,500**
132,751	Ordinary C2 shares of £0.001 each	**133**
5,000	Ordinary D1 shares of £0.100 each	**500**
60,044	Ordinary D2 shares of £0.001 each	**56**
950	Ordinary E shares of £0.001 each	**1**
95,100	Ordinary F shares of £0.001 each	**92**
		7,782

The Equity Proceeds to be distributed to holders of Equity Shares will be distributed in the following manner:

(a) amount of Equity Proceeds up to the First Hurdle*:

(i) 50% to the holders of A1 Ordinary and B1 Ordinary Shares (pari passu as if such shares constituted one class);

(ii) 50% to the holders of C Ordinary Shares (pari passu as if such shares constituted one class);

(b) amount of Equity Proceeds in excess of the First Hurdle, up to the Second Hurdle**:

(i) 50% to the holders of A2 Ordinary Shares and B2 Ordinary Shares (pari passu as if such shares constituted one class);

(ii) 50% to the holders of C Ordinary Shares and D Ordinary Shares (pari passu as if such shares constituted one class);

(c) amount of Equity Proceeds in excess of the Second Hurdle, up to the Third Hurdle***:

(i) 50% to the holders of A2 Ordinary Shares and B2 Ordinary Shares (pari passu as if such shares constituted one class);

(ii) 50% to the holders of the C Ordinary Shares, D Ordinary Shares and Eligible E Ordinary Shares on the basis that each Eligible E Ordinary Share shall be entitled to the Relevant Amount and the holders of the C Ordinary Shares and D Ordinary Shares shall be entitled to the balance (pari passu as if the same constituted one class of share);

(d) amount of Equity Proceeds in excess of the Third Hurdle:

(i) 40% to the holders of A2 Ordinary Shares and B2 Ordinary Shares (pari passu as if such shares constituted one class);

(ii) 50% to the holders of C Ordinary Shares, D Ordinary Shares and Eligible E Ordinary Shares on the basis that each Eligible E Ordinary Share shall be entitled to the Relevant Amount and the holders of the C Ordinary Shares and D Ordinary Shares shall be entitled to the balance (pari passu as if the same constituted one class of share);

(iii) 10% to the holders of F Ordinary Shares

* The First Hurdle is £40,400,000
** The Second Hurdle is £80,800,000
*** The Third Hurdle is an amount whereby on an Exit the holders of the A and B shares receive a cash multiple of their initial investment.

Notes to the financial statements continued

For the period 4 February 2016 to 31 December 2016

20. Financial commitments

At 31 December 2016, the group had total future minimum lease payments under non-cancellable operating as follows:

Group	2016 Land and buildings £	2016 Other equipment £
Operating leases which expire:		
Within one year	1,892,570	301,296
Between one and five years	1,392,171	388,765
Over 5 years	2,350	–
	3,287,091	690,061

The group has contracted but not provided for capital expenditure of £1,824,000 to be incurred in the next accounting year. The Company does not hold this commitment.

21. Related party transactions

The Company has outstanding loans and accrued interest due to Dunedin Buyout Fund II LLP, LDC and TMC II L.P who are all shareholders. Details are set out in note 17.

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.

22. 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 £172,175. Contributions totalling £46,684 were payable to the fund at the year end and are included in creditors.

23. 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 period in a fellow subsidiary of £3,707,483. This balance has been recorded on the consolidated balance sheet at year end as 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 £96,500,000 and the amount outstanding at the balance sheet date was £85,584,595. Of this amount outstanding, £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 CitySprint (UK) Bidco Limited in relation to a financial derivative.

24. Ultimate controlling party

As at 18 February 2016 LDC V LP control the company as a result of controlling, directly or indirectly, 30% of the issued share capital of the Company.

25. Subsequent events

There have been no subsequent events to report.

CitySprint (UK) Holdings Ltd

Registered office:

Ground Floor
RedCentral
60 High Street
Redhill
Surrey
RH1 1SH

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