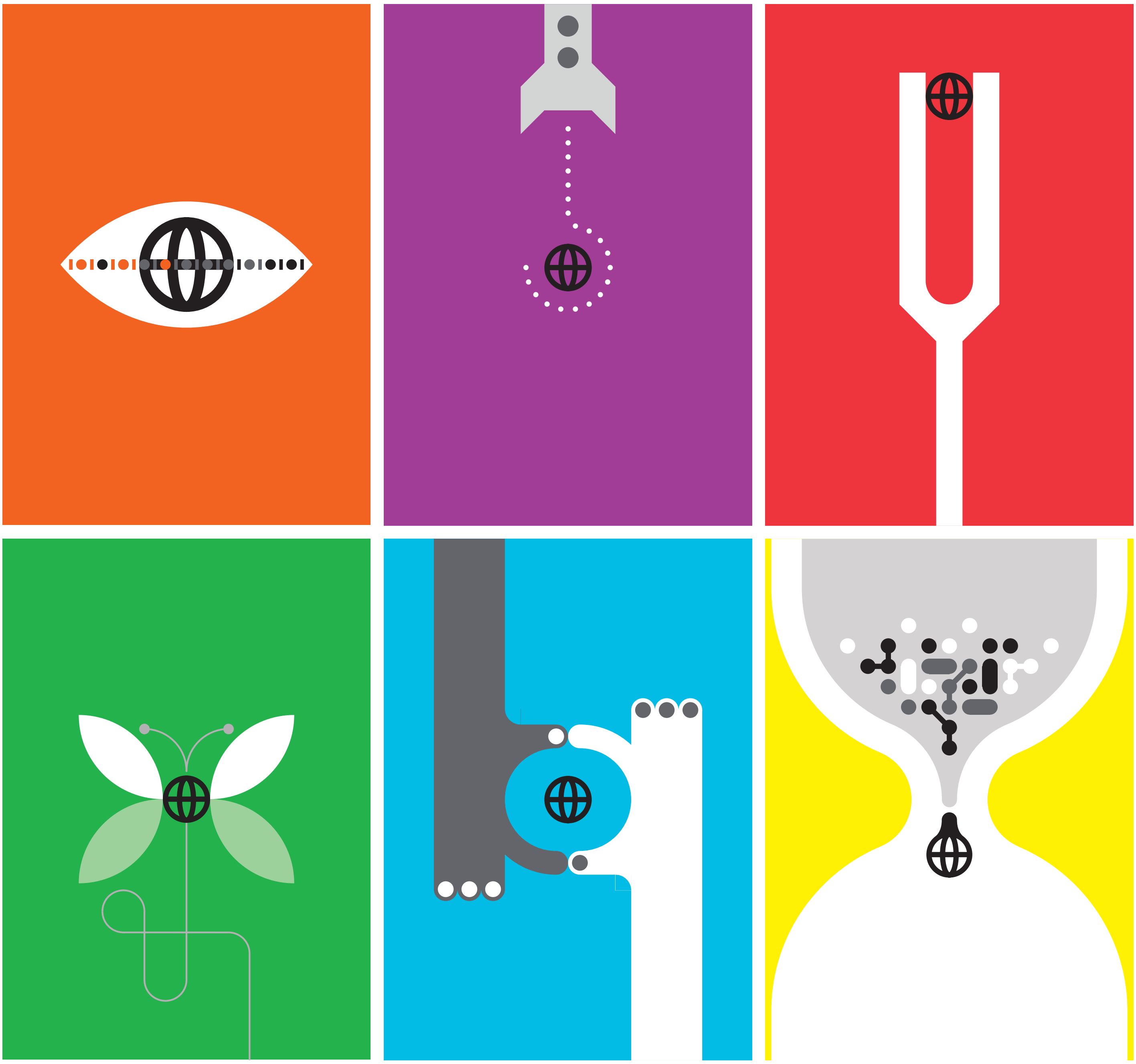
CitySprint Group

# Setting the pace in the new world of smart delivery

Annual Report and Accounts 2017



# Leading the way in the delivery market

We are the European leader in the same day delivery market. We are a well-established business who has harnessed our first mover advantage to develop technology to support our entry into new markets and provide a best-in-class customer experience.

### Exceptional innovation and technology capabilities

We've made significant investment in our technology platform to drive customer-focused innovation.

- Ensuring we meet the demand for new delivery options, improve the customer experience and drive greater efficiencies
- Securing our leading position in the same day market and accelerating development of our innovative final mile offering at scale in the global market

### Supporting our customers

Our customer and market insight, extensive network, unrivalled expertise, and innovative, flexible services is of increased value to our customers. It's what sets us apart from the competition.

- By developing our people and their knowledge and expertise, we deliver a best-in-class service
- The strategic location of our UK service centres increases flexibility and the ability to react dynamically to our clients' needs

### Delivering operational excellence

We are committed to delivering excellence, raising standards, driving revenue growth and cash generation.

- Consistent strong levels of cash flow
- Over a decade of consecutive revenue growth

### Growing in our markets

We are the largest same day delivery business in Europe and are uniquely positioned to capitalise on market opportunities to achieve accelerated growth.

- A deep understanding of the UK market and the flexibility of our business means we can benefit from significant opportunity in high-growth sectors
- It gives us the ability to explore opportunities in new global markets

## We are a company that lives in the future

The success of CitySprint Group lies in our ability to constantly think ahead. At the heart of our culture is a determination to continually transform and shape our fast-moving delivery industry. We lead the way in bringing our customers choice, speed, ease and convenience – what they want, when they need it.

We are at the forefront because we are a technology-led company that embraces change. In fact, we thrive on it. We develop inventive solutions and services, and build special long-lasting relationships.

We have been using our experience and expertise to innovate for 25 years. We are forever ready to dynamically react to changing market trends, enter new sectors and support the businesses we work with today, tomorrow and for the future.

## Innovation has always been in our DNA

Our vision has never been clearer; we are here to set the pace in the new world of smart delivery. Our company's core values support this focus and guide the way in which we behave. Highlighted throughout our Annual Report, they define our strengths and our beliefs, and will ensure our long-term success.

We remain committed to the future and working closely as one team. We will continue to innovate, value our customers and achieve our vision.

**Our vision**
To set the pace in the new world of smart delivery.

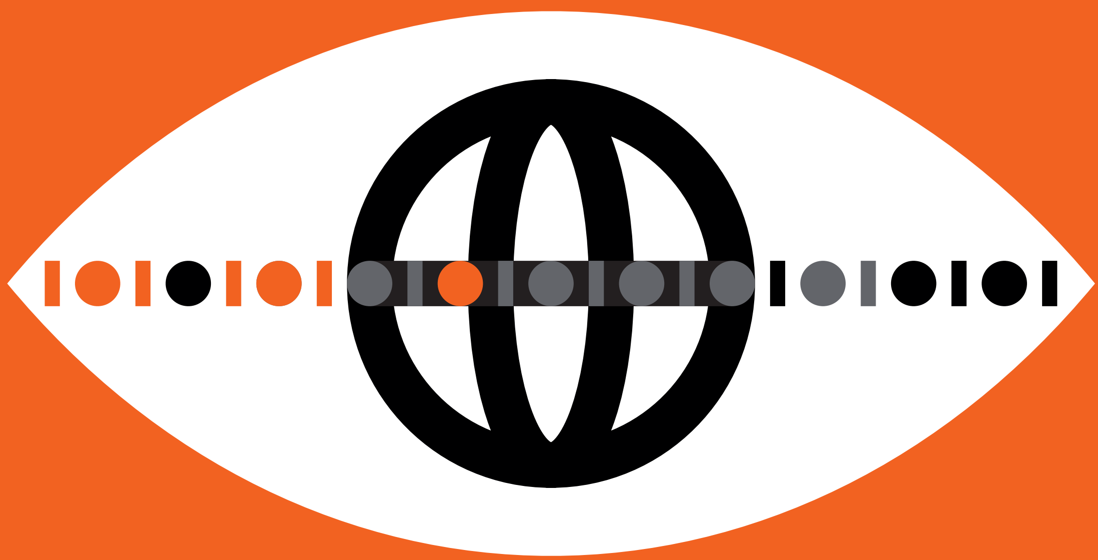
**Our mission**
We will never stop thinking how we can put our customers first, how we can fulfil their needs of choice and speed.

We will never stop striving to create connections that are personal.

We will never stop challenging the delivery world of tomorrow - making the distance between people feel like there's no distance at all.



This Annual Report is also available on our website, **citysprintgroup.com**



# We are ambitious

We never stop looking for the next opportunity. We never stop progressing and shaping the delivery service of tomorrow. We have our eyes fixed on the horizon.

# Performance highlights

**The Group delivered record revenue for the year of £172.3 million and we continue to generate strong levels of cash flow with EBITDA[1] of £18.0 million, 3% higher than the previous year.**

- Strong revenue growth of 9%
- EBITDA increased by 3%
- Acquired and integrated three businesses contributing £4.0 million in additional revenue
- £7.1 million capital investment in our wholly-owned innovation division, LastMileLink Technologies
- Deployed a food delivery platform with auto allocation in up to 90% of all deliveries

## £172.3m
Group revenue

Up 9% from £157.8 million in 2016


## £8.9m
Capex

Up 4% from £8.5 million in 2016


## 49.1%
Capex % of EBITDA

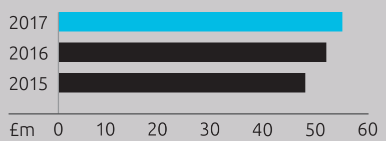
Up 0.3% from 48.8% in 2016


## £18.0m
Underlying EBITDA

Up 3% from £17.4 million in 2016

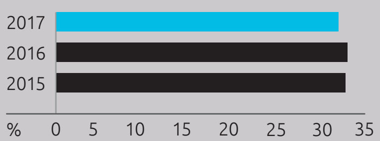

## £55.1m
Gross margin

Up 6% from £52.0 million in 2016




## 32%
Gross margin %

Down 1% from 33% in 2016




Throughout the Strategic report all prior year comparisons are for a full 12 months except where it is specifically noted that they represent the 11 months of 2016, from 4 February 2016 to 31 December 2016.

[1]EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

# CitySprint Group at a glance

**CitySprint Group is a technology-led delivery business with a 25 year heritage. We are leading the transformation of same day delivery by creating innovations that benefit our customers through our unique set of brands.**

### CitySprint Group in 2017

We have a combined revenue of £172.3 million; partner with more than 14,000 customers; work with a fleet of over 5,000 self-employed deployable couriers and employ 906 staff across a UK network of 42 service centres.

CitySprintGroup

CitySprint

Market leading flexible same day delivery and specialist services

On the dot

Technology-enabled timeslot final mile deliveries and Group innovation lab

### New simplified structure

In 2017, we streamlined our structure to leverage operational efficiency, reduce complexity and simplify our branding strategy. As a result we have reorganised our three primary divisions (CitySprint, LastMileLink Technologies and On the dot) into two, combining the technology developed by LastMileLink Technologies with our technology focused retail brand On the dot[1].

For the purposes of this Annual Report we will continue to report on the performance of LastMileLink Technologies just as our technology incubator.

### Our services

**SameDay Courier**[2]: Secure, timely same day deliveries – local, regional and nationwide.

**UK Overnight & International**: Providing flexible and fast UK overnight parcel and international courier services.

**Logistics**: A bespoke same day logistics service helping businesses overcome their on demand and traditional delivery challenges.

**Specialist Services**: Offering a range of services from print and mail distribution to baggage repatriation and in-boot deliveries.

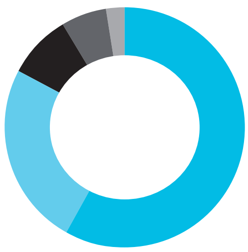
**Group revenue by service**

- Logistics **£89.7m**
- SameDay Courier **£54.1m**
- UK Overnight & International **£15.9m**
- Specialist Services **£12.6m**

### Our priority sectors

We provide delivery services across five key market sectors. By aligning our business to the needs of particular sectors, we are better able to identify the specific challenges they face and utilise new technologies to provide innovative delivery solutions.

**Group revenue by key sector**



- Industrial & commercial **£100.5m**
- Healthcare **£42.2m**
- Retail **£14.9m**
- Public sector **£10.4m**
- Food & beverage **£4.3m**

[1] Effective from 1 May 2018.

[2] Our SameDay Courier service includes timeslot deliveries and collections.

| | |
|---|---|
| **Industrial & commercial**<br>We have unparalleled experience in providing same day delivery services for businesses in commercial, manufacturing and transport industries.<br>Read more on page **26** | Share of Group revenue<br>**58%** |
| **Healthcare**<br>We are the UK's leading same day pharmaceutical distribution and medical courier supporting the NHS and private healthcare providers.<br>Read more on page **28** | Share of Group revenue<br>**24%** |
| **Retail**<br>We specialise in timeslot deliveries, stock replenishment, storage and fulfilment for national and local retailers.<br>Read more on page **30** | Share of Group revenue<br>**9%** |
| **Public sector**<br>We are a trusted partner that is relied on by national and local government agencies and ministries.<br>Read more on page **32** | Share of Group revenue<br>**6%** |
| **Food & beverage**<br>We support our partners with the delivery of fresh food, groceries and alcohol.<br>Read more on page **34** | Share of Group revenue<br>**3%** |

**#1**

Rated the UK's best delivery company by *Which?*

**>99%**

Items delivered first time

**12m+**

Critical deliveries made in 2017

**150**

Zero emission vehicles

**2 secs**

Average time for our systems to allocate a job to a courier

**192k**

Average number of weekly deliveries

**2m+**

Local same day consumer deliveries made in our new target sectors: retail, pharmacy and food

**4.35**

Quickest food delivery time made in 4.35 minutes

**170**

Retailers benefiting from our technology

# Chairman's statement

**David Burtenshaw**
Chairman

**In 2017 we enjoyed another successful year, delivering strong revenues and a healthy EBITDA. This is a clear endorsement of our strategy of creating bespoke products and services that generate clear competitive advantage for our customers.**

We are catalysts of change. Our ability to react dynamically to changing customer requirements and improve our service offering is what makes us special. In turn, we are helping radically transform and disrupt a wide range of industries and sectors.

This year the business further realised the potential of its investment in technology to enhance our platform and delivery capabilities. This valuable and sustained investment means our clients and future clients can directly benefit from our ability to innovate at a rapid pace. As our Group grows, we will continue to invest in vital areas, such as technology and service delivery, to meet our strategic goals.

The success of CitySprint Group is not simply down to our investment in technology. The commitment, hard work, entrepreneurial spirit and professionalism of our people play a crucial role in our performance. The Group enjoys a strong culture and shared values. In this context, recruiting, retaining and developing our talent remains a clear focus for the Board.

We anticipated the advantage given by same day long before many of our competitors and the market is now moving towards us. We are proud to be the only player who can provide a national same day delivery solution.

The breadth of our fleet means we can offer a better variety of logistics solutions for a wider range of customers. And our highly flexible fleet, combined with our expertise and technology capability, ensures true value.

CitySprint Group is able to do this faster than our competitors because we understand the very specific challenges of operating a dynamic network. I see examples of this 'applied innovation' throughout the business, where the Group's experience and heritage dramatically accelerates our speed to market. Continuous innovation is a driving force behind our business, and to support it further we continue to invest in the acquisition of businesses with complementary offers.

**"The commitment, hard work, entrepreneurial spirit and professionalism of our people play a crucial role in our performance."**

Today, other sectors are alert to the opportunities presented by this winning combination. As the Group's results demonstrate, we are now a key catalyst for innovation for many businesses.

The Board continually looks for opportunities to improve the business. This focus – and the continued support of our investors – has put us in good standing and will undoubtedly support us further in the months to come.

Despite a rapidly changing industry, the outlook for 2018 is set to be a positive one. We anticipate another year of growth, exciting opportunities and further diversification into new and emerging sectors. We will continue to invest in our proprietary technology and develop our customer proposition.

We are in this strong position thanks to the wider CitySprint Group team. I would like to extend my sincere thanks to everyone who worked hard to deliver another year of success for the business in 2017.

**D J R Burtenshaw**

**Chairman**
25 April 2018

# Group Chief Executive Officer's review

**Patrick Gallagher**
Group CEO

**Over the past 12 months, we've extended our trend of unbroken growth whilst maintaining our commitment to investing in new technologies that will create future value for the Group.**

Last year saw us make good progress toward our strategic goals during a period of strong performance across a number of high-growth sectors.

Our 2017 financial and operating highlights for the period to 31 December 2017 show the strength of our position and demonstrate our ongoing reinvestment in building new capabilities:

- We recorded record revenues for the year of £172.3 million (2016: £157.8 million for 12 months and £134.4 million for 11 months) – an increase of 9%
- EBITDA (earnings before interest, tax, depreciation and amortisation), the key measure of the business is reported at £18.0 million (2016: £17.4 million for 12 months and £15.6 million for 11 months) – an increase of 3%
- We consolidated our previous acquisitions into our core business giving us further geographic reach and sector scale – creating significant organic opportunities
- We now have over 5,000 self-employed deployable couriers on our network
- We continued to invest heavily in our innovation business – LastMileLink Technologies – to the tune of £7.1 million in 2017
- We experienced strong growth in our core business with further growth across key sectors including food, pharmacy and retail

Prior year figures are for 12 months. In the financial statements, the results for the prior year are for the period of 4 February 2016 to 31 December 2016 following new investment in 2016.

Change in our industry is a constant and I believe that our ability to respond to this is what makes our business so exciting. I also believe that we're yet to see the complete transformation of the traditional logistics sector to one that is fully shaped by consumer demand and underpinned by bespoke technology.

We are ready for this opportunity, thanks to a sustained and significant investment in technology, our expert people and our highly flexible network.

We make these strategic investments in technology with confidence – we have the experience, long-standing track record and platform on which to innovate. That's not to say it's easy. There will always be challenges in such a dynamic industry, but we are able to combine a longer-term view with an agile mindset. We develop and then we deliver, and we do it at scale.

## Technology transformation

Now in its second year, our technology business – LastMileLink Technologies – has driven end-to-end transformation across the Group and redefined how we meet the emerging needs of high-growth sectors. And it has done this from a standing start.

A significant level of investment – and no small amount of hard work – has gone into building new platforms and products that are ready for clients who may be looking for a range of bespoke integrations – whether with their legacy systems or newly designed architecture. Our technology, which is

**+9%**
Group revenue

**42**
UK service centres

**100%**
All service centres are run on renewable energy

**906**
Employees

**5,000**
Deployable self-employed couriers

# Group Chief Executive Officer's review continued

designed and developed by LastMileLink Technologies, has been deployed across CitySprint.

This ongoing commitment to innovation isn't a 'nice to have' for our business. It's the new norm, driven by a clear understanding that our client companies must themselves, innovate to stay relevant and meet their end users' expectations of exceptional service. Implemented correctly, smart fulfilment continues to create significant competitive advantage.

**"We make these strategic investments in technology with confidence – we have the experience, long-standing track record and platform on which to innovate."**

Our technologies are carefully designed as Software as a Service (SaaS) products. Not only does this make them easy to replicate and deliver, it also means we're well placed to service international customers looking for a platform forged in what is arguably the world's most competitive market. We are already seeing interest from other countries and are exploring opportunities to license our technology in the coming year.

The recent roll-out of smart allocation within CitySprint, which uses intelligent predictive algorithms to select the best courier for the job, is just one example of the advantages offered by this innovation. This allows us to deliver a specialised service at volume and scale, improving productivity, operational efficiency and the customer experience for our clients and couriers.

### High-growth markets

In 2016 we identified three high-growth markets – food, pharmacy and retail – which were poised to enter a period of rapid transformation.

We are pleased to report significant progress in all three:

#### Food

Our network is well suited to serving the needs of the food sector. We have always excelled at time-critical point-to-point delivery. Our technology has enabled us to efficiently scale our offer and provide 'restaurant to home' solutions nationally, generating significant revenue in under 12 months.

#### Pharmacy

Our pharmacy business is a shining example of where we're able to deliver precision for clients in a highly regulated and fragmented environment – and one where delivery is increasingly in demand.

Change here is being driven by government policy, reducing the funding given to community pharmacists. This is affecting business models as pharmacies look to add more value to their customers in the face of competition from supermarkets and, increasingly, online retail giants.

We are helping local pharmacies create new services, build new revenue streams and simplify the complex challenge of safe, secure delivery of medicines and prescriptions to customers' homes.

#### Retail

We are witnessing a seismic shift in retail thanks to new innovations in technology and large pure-play entrants to the market, both of which have driven a fundamental – and irreversible – shift in consumer expectation.

In the context of a more competitive landscape, retailers know they need to adapt if they are to retain customer loyalty. We are at the heart of their strategy, whether large or small.

Our technologies and products are giving retailers the ability to better utilise their store estates and inventory, raise customer satisfaction scores and, ultimately, increase basket value.

We are proud to partner with market-leading brands like ASOS, Currys PC World, MATCHESFASHION.com and Wickes – and we expect significant growth in both sales and volume in the year ahead.

### CitySprint

Alongside these high-growth markets, our core CitySprint business continues to thrive, providing the infrastructure and network to support companies in the UK – both large and small, and across every sector of the economy. I'm proud that 2017 saw us named the top delivery company in the latest *Which?* ranking. Achieving a customer satisfaction score of 92% is down to the continued support and effort of our people and couriers. It's also a further indication of the impact delivery convenience is having on the customer experience.

In 2017, the Group completed three acquisitions and investments, strengthening our presence in Scotland and expanding our overnight and international services with Transworld Couriers joining the business. Our strong financial position means that we can continue to consider strategic acquisition opportunities that will help strengthen our position.

### Readying our business for the future

The flexibility and size of our fleet has always been key to our business. Unlike other logistics businesses, we pride ourselves on using the right vehicle for the job – whether van, motorcycle, pushbike or cargo bike.

This year, we've seen an increased focus on the impact of delivery in urban areas – an important topic we can only expect to see more discussion of in the future.

## Our strategy

Our three strategic priorities are:

**Innovating to create value** 1

Read more on page 14

**Driving our growth** 2

Read more on page 15

**Improving the customer experience** 3

Read more on page 15

We have always recognised the importance of sustainability in our industry and we are working hard to reduce the impact of our business on the environment – from powering our network of service centres with renewable energy sources and working with clients to help reduce their $CO_2$ emissions, to deploying technology to make every trip and every delivery as efficient as possible.

Our green fleet now includes the largest courier cycle fleet in the UK and 150 emission free vehicles. But there is always more to be done.

This year, we have continued to make positive strides. We launched a trial of a brand new hydrogen van with our client Mitie, in London – marking the first use of hydrogen vehicles for courier services in the UK. After a successful trial period, we have also more than doubled our cargo bike fleet. These electrically assisted vehicles can carry the load of a small van, meaning less congestion on roads and a saving of four tonnes of greenhouse gas (GHG) emissions per year for every small van they replace.

**4**

Each cargo bike saves four tonnes of GHG emissions per year

This is a critical part of our ambition to create an ultra low emission fleet in the capital by 2020, adapting to align with the forthcoming Ultra Low Emission Zone (ULEZ) and the Mayor's vision for cleaner air in London.

2017 also saw the publication of the Taylor Review, which made a number of recommendations around working practices in the UK. We continue to enjoy a good relationship with couriers, who we know value the freedom and flexibility of their role. But there clearly remains a significant level of confusion in this important area of the law. We welcome any further clarity provided by the consultations launched by the Government in response to this review.

**92%**

of self-employed couriers value the flexibility they currently have[1].

### The race is on

While it is pleasing that we continue to outperform the same day delivery market, I don't see this as the benchmark for our success. I believe we're on a journey that will see us achieving ever-greater levels of dynamic delivery for clients who are, as yet untouched by the transformation that is taking place across other sectors.

As we look to the future we see opportunities for both organic growth and new partnerships. While there are undoubtedly a number of economic challenges ahead, the increasing preference for same day delivery across a wide span of industries and sectors is here to stay.

The combination of our experience, our commitment to innovation and investment, and the breadth of our offer means we can respond quickly to the changing needs of our clients. As a result, we remain well positioned for the future.

### A successful collaboration

We are grateful to our customers who worked with us in 2017 and to the Group's stakeholders, which include our advisers, business partners and suppliers. Our thanks also to our shareholders; LDC and Dunedin and our banks; RBS, Clydesdale and HSBC, who continue to provide excellent support to the CitySprint Group.

Finally, as ever, we would like to thank our employees and couriers, all of whom have played a significant role in making 2017 a resounding success.

**P A Gallagher**

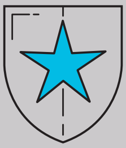
**Group CEO**
25 April 2018

[1] Results are based on a survey of 338 self-employed couriers who work with CitySprint Group.

# How we create value: our business model

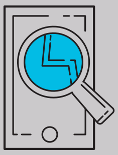
## Inputs

**Effective use of our key resources and relationships enables us to do business and delivers long-term growth for our stakeholders.**



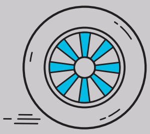
**People**: The expertise, professionalism and entrepreneurial spirit of our people are key to the success of the business.

**Know-how**: A 25 year heritage provides deep understanding and knowledge of the industry and our customers.

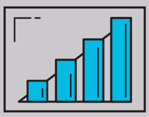


**Technology**: We create innovative services and products enabled by technology to deliver the ultimate balance between cost and customer experience.

**Relationships**: We place genuine importance on the trusted and long-standing relationships we hold with our customers, partners, suppliers and local communities.



**Network**: Our agile and diverse fleet supports our well-located and extensive network of service centres.



**Financial**: We use our financial capital to execute our strategy and invest in our people, our technologies and our network.

**Delivering long-term value**

Our business model leverages our key strengths to maintain our market leading position as Europe's on-demand same day delivery partner of choice.

## What we do

**We set the pace in the new world of smart delivery.**

### We innovate

Transforming delivery services within the same day market

### We create

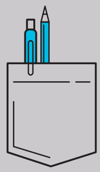
Improving efficiency and capability by developing new technologies

### We deliver

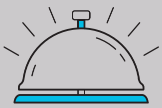
Market leading excellence and reliability in all our services and products

## Outcomes

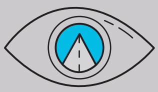
**Through the successful execution of our strategy we unlock value for all our stakeholders.**



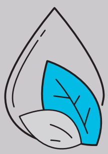
**Investors**: Growing short and long-term total returns for our financial stakeholders through the effective management of our business.



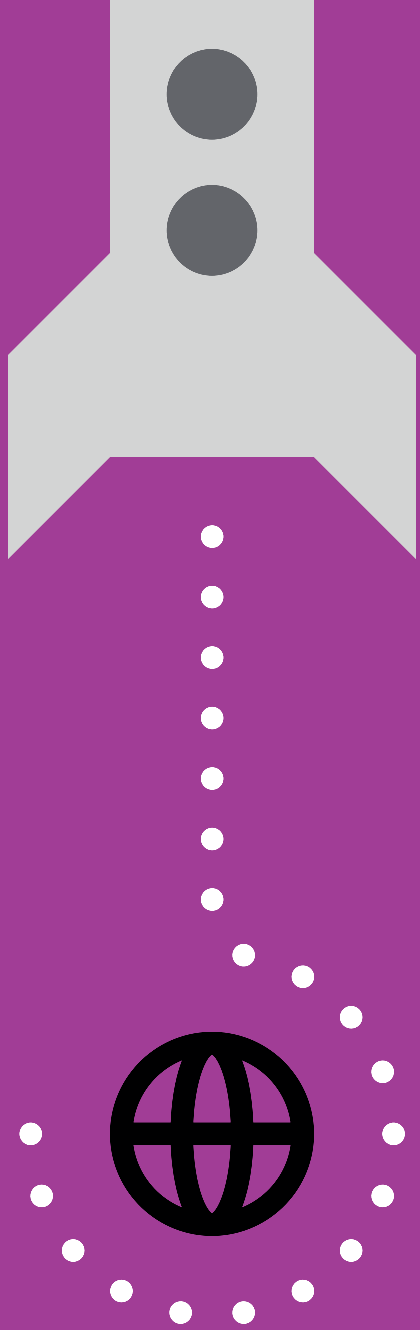
**Customers**: We provide a best-in-class delivery experience that meets and anticipates the changing needs of our customers.



**People**: We offer excellent career development opportunities that attract and retain talented and ambitious individuals. We strive to be the company of choice for couriers enjoying flexible hours and competitive earnings.



**Communities**: We take a responsible role in our local communities helping businesses and individuals to thrive, while minimising our impact on the environment in which we operate.



# We are fearless

We have the confidence to make changes. We are responsive. We never sit still. We invest in and develop exciting technology that leads the way and fulfils our customers' needs.

# Our strategy

**Our strategy focuses on three key objectives: innovating to create value; driving our growth and improving the customer experience.**

Our success is due to a continued focus on delivering value through innovative solutions and global leading-edge technology, to improve the effectiveness and efficiency of what we do. By applying our expertise and the technology and scale of our network, we drive growth, transforming how we operate and improving the breadth and excellence of our services.

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

| Strategic priority | Our focus and actions | Why it is important |
|---|---|---|
| **1. Innovating to create value** | We've built up extensive expertise in technology and its operationalisation and deployment. Our growing capability is a result of a three year £17.7 million investment in our wholly-owned innovation division, LastMileLink Technologies.<br><br>We've developed our capabilities across a range of technologies including our SaaS platform and courier app, innovating at a rapid pace. Our CitySprint business allows us to implement our innovations at scale and volume. | We are constantly evolving as a company. This leads to improvements in how we operate, our capabilities and the services and products we offer, ensuring we remain the leader in the same day delivery market and maintain our competitive advantage.<br><br>Our customers and their end consumers expectations are changing as they seek convenience and transparency across all products and sectors. |
| **2. Driving our growth** | Our delivery platform has been designed to utilise machine learning, auto allocation and real-time monitoring to enhance job productivity and increase operational efficiency.<br><br>We respond quickly to our target markets and capitalise on new opportunities by rapidly expanding our offering, transferring the skills, expertise and capability gained in one sector to another. This is best evidenced by our successful entry into the fast food market in less than 12 months. | We continue to enhance the value of our proposition by developing new products and services that give us a competitive advantage, helping us to retain and attract customers. It creates new opportunities and has accelerated growth in emerging markets such as fast food and e-commerce, as well as providing us with the potential to internationalise the business. |
| **3. Improving the customer experience** | We aim to migrate all of our business onto our platform to improve operational efficiency, increase productivity and improve the customer experience with new and enhanced features and functionality, leading to greater customer satisfaction. This began in 2017 with our food business and will continue with our retail business and SME clients in 2018.<br><br>We've expanded our delivery offer to include 1, 2 and 4-hour delivery and collection timeslots and are trialling a new booking platform with different delivery propositions for small businesses, with urban deliveries. | Delivering a consistent, reliable and personalised customer experience creates value, strengthening our relationships and increasing loyalty.<br><br>We are able to respond quickly to changing client on-demand needs, harnessing our technology to provide greater choice and breadth in the services we offer. |

# Our strategic priorities

## Innovating to create value

We understood early the strategic value of technology to adapt and learn, create new solutions, drive change and disrupt the status quo.

We've invested heavily in new technologies to increase our operational efficiency, meet customer needs, create differentiation and ensure sustainable growth over the long term.

In 2015, we created a new division – LastMileLink Technologies – to support the development of innovative new products and to improve our delivery platform. Combining the best technology with over 25 years of industry knowledge and experience, the Group has already launched innovative products such as our award-winning e-commerce delivery platform, On the dot. And in March 2018, LastMileLink Technologies was named one of FUTR's European RetailTech top 50 start-ups, with the potential to cause real disruption in the sector.

With everything from our SaaS platform to our courier app designed in-house, we have embraced and developed capabilities across a wide range of technologies, innovating at a rapid pace. Our CitySprint business allows us to implement innovations at scale and volume, giving us a competitive edge and creating long-term value for the Group, our stakeholders and clients.

### Digital innovation strategy

Innovation is a key pillar of our strategy and culture. We've integrated digital into the business at every level, from how we recruit couriers to the innovative partnerships we form in our pursuit for an ultra low emission fleet. This makes us more agile, more productive and more effective – benefits that we also deliver to our clients.

In 2017 we maintained our level of capital investment at 49% of EBITDA. 2017 research and development (R&D) investment of £7.1 million brought our total R&D investment over the last three years to £17.7 million. We also established a Tech Advisory Board bringing together experts from the technology sector, to provide advice and guidance on the Group's technology and digital strategy.

Our transformational technology has been adopted by both established and new players from multiple sectors, keen to capitalise on the benefits of convenient, fast and reliable delivery.

The Group's digital innovation combined with the strength of our network and size and breadth of our fleet creates a model that delivers both value and an improved customer experience. In turn this gives us a unique advantage in the UK same day delivery market to further grow our client base and increase market share.

Using creativity and innovation we've successfully identified new business opportunities in emerging high-growth sectors. The preference for convenience and choice in particular, has led to a demand for new delivery options. And we have responded by offering our clients timed delivery and collection in 1, 2 and 4-hour windows that can be chosen by them.

We aim to build our capabilities still further as we explore opportunities to internationalise the business, supporting customers entering new markets with our technology and know-how.

## Driving our growth

We strive to deliver operational excellence and are committed to continuously improving the services we provide. This drives growth and innovation in the business with the intention of creating long-term stakeholder value.

### Creating strategic value

Investing in next generation technology helps us to retain our competitive edge and market leading position. We experience continued growth by expanding investment in quality and innovation, underpinned by years of practical experience of final mile delivery. It differentiates us from our competitors. It creates efficiencies in our operation enabling us to constantly improve our customer proposition. It increases scale and it provides us with opportunities for further growth in new markets in the UK and across the world.

### Financial objectives

Continued growth in both revenues and EBITDA over more than 10 years has ensured we maintain our above-market growth rate. We invest in areas of high-growth with solid margin prospects and operate in markets of scale. This is supported by technology that enables us to improve the efficiency of the unit economics of deliveries. We focus on seizing the right M&A opportunities to expand our network where needed, providing access to a new kind of offering or strengthening existing operations.

### Fostering customer partnerships

We are transforming how our clients operate and serve their customers by positively influencing their business models. We help our clients remain competitive by developing services and solutions to support their growth, developing long-term partnerships that increase in value as our customers' businesses expand. The Group's timeslot technology and 'deliveries on-demand' solutions are vital elements of many retailers' delivery offering, extending delivery convenience directly to the consumer's door.

Being able to complete a purchase online at anytime is no longer enough. Consumer habits are changing with purchases increasingly made through mobile devices. This has opened up new opportunities for the Group as we apply our first mover advantage to capitalise on long-term consumer trends to the benefit of our customers. By focusing on consumer convenience and recognising the speed of this channel shift, we have been able to capture market growth in food, pharmacy and retail in particular. Quick to embrace this digital transformation, businesses in these sectors have realised early the value of improving the customer experience by offering convenience, speed and choice when it comes to delivery.

**"This is a revolutionary moment for luxury retail, bringing the industry into the 'buy now, wear now' era … it will transform the customer experience."**

**Ulric Jerome**, **CEO**
MATCHESFASHION.COM

### Growing our courier base

In 2017, we revisited our courier recruitment onboarding methods, exploring the use of digital channels to enhance and complement our existing fleet. A particular area of focus has been targeted recruitment of local couriers, supporting the growth in final mile consumer deliveries, to expand the Group's courier base. In February 2018, we launched V4 of our local courier app designed to help self-employed couriers be even more efficient and maximise their earnings while on the road. The app's improved interface and job flow has been redesigned following consultation and feedback with couriers.

We are applying this innovative approach across the business, exploring more effective ways for individual service centres to recruit couriers. This includes testing interactive online training and induction courses that can be completed via phone, tablet or desktop, reducing the time required for couriers to be onboarded. We aim to deliver a national roll out of the programme by the end of 2018.

## Improving the customer experience

Our business is built on relationships and the confidence and trust of our clients. We place great importance on understanding our customers' experiences, expectations and behaviours to ensure we foster lasting relationships.

By utilising market leading technology to make processes smarter and more efficient, we ensure a consistent and superior customer service. We are proud to have been recognised externally for our outstanding level of service in 2017, receiving an industry award for complaint handling and a *Which?* number 1 ranking for the best UK delivery company.

### Leveraging technology to improve our customers' experience

We continue to improve our offer through innovative products and services and by implementing an omni channel customer service strategy.

In 2017, we made improvements to LiveChat, launching a new version of the instant messaging service that makes it even easier for our customers to engage with us. We've invested in the development of our customer relationship management (CRM) system to better understand our customers

# Our strategic priorities continued

and improve case management and complaint handling. And we are trialling a new online booking platform with different delivery propositions for small businesses with urban deliveries.

In December 2017, we launched our interactive voice response (IVR) project, to help reduce call waiting times. Customers and couriers can select the option they need, delivering their call immediately to the best placed agent to handle their enquiry. The new system will improve response times ensuring calls are directed to the right place first time. Initial results have been extremely positive and we hope to have rolled out the system across the business by the middle of 2018.

To further improve how we interact with our customers, we will be implementing new 'one screen' technology in 2018. The technology will provide our customer care teams with a single view of a client's contact history. After automatically identifying and verifying the call, matching a phone number to a record or open delivery, the technology will present all the necessary information to the agent on a single screen so that they are able to handle the call effectively, improving the customer experience. This will bring significant efficiency benefits and we anticipate will reduce call handling times by 8-12%.

**85%**

Improved speed of response to complaints by 85%

## Customer relationship management

To measure client satisfaction, we undertake regular surveys of our key clients, looking at how we work with them on an operational and strategic level.

These surveys, along with the Group's regular feedback mechanisms, help us to identify where we need to work harder and where there is the potential to add value to our clients' operations. We use the themes that emerge from our surveys to create divisional action plans to drive ongoing performance improvement across the business.

**100%**

All complaints are received centrally on our CRM system

We believe that letting customers share their feedback can help transparency, build relationships and enhance trust. This is why, in 2017, we actively encouraged our customers to leave online reviews with TrustPilot and reputation.com. The valuable insight this provides will help us to tailor and improve our service particularly for those customers booking online.

In 2018 we intend to widen our suite of customer satisfaction measures, capturing insight and feedback from additional points in the customer journey. We want to better understand how customers feel about the particular service centre they engage with, and get their thoughts after we have resolved an issue.

In June 2017, we established a centralised Engagement Team based in London to improve relationships and ensure we provide the best customer experience possible for our Pearl and Gold clients. We are proactive in reaching out to our key users when our CRM system identifies risk or changes to their trading patterns. The centralised team also support our regional service centres and marketing team to identify existing and new customers who could benefit from our products and services.

## Customer care

No matter how our customers choose to contact us, it is important we provide a consistent level of service. Launched in 2017, the Group's new set of customer care standards not only let our customers know what to expect, they outline the company's commitment to delivering a minimum of 98% 'successful delivery service on time' for our SameDay services.

**Phone**: We aim to answer 80% of our calls within 20 seconds. We commit to this service level 24/7, 365 days a year.

**Email**: We aim to resolve all email enquiries within 2 hours of receipt and we always let our customers know who is looking after them.

**Twitter**: We aim to respond to all tweets in 2-3 hours whether it is a general enquiry or something more specific.

## Silver winner of 'Most Improved Complaint Handling'

In February 2018, we were recognised for our excellence in managing consumer complaints by winning a UK Complaint Handling Award. We've listened to our customers, improving our processes and ensuring we recognise and deal with client concerns effectively. Establishing a centralised engagement team and committing to a new agreed set of standards has helped us to improve the consistency and quality of our response whilst increasing the time available for operational activity in our service centres.

## We are in tune

We know the world we operate in better than anyone else. We listen to what's going on - to what people want, to what they need. Our world moves fast, so we move faster.

# LastMileLink Technologies

**Santosh Sahu**
CEO, LastMileLink Technologies

## Leveraging delivery technology to ensure success

LastMileLink Technologies' key objective is to transform final mile delivery by improving the delivery platform and service of the CitySprint Group and its clients. We are uniquely positioned to do this, combining our proprietary best-in-class technology with the knowledge and experience of CitySprint's established same day delivery business. We also support the design and development of innovative new products, such as our On the dot timeslot service, that are deployed and operated across the CitySprint Group.

Originally established as the Group's technology incubator, LastMileLink Technologies has helped transform the business and the delivery services we offer. To improve the overall performance of the Group and our ability to deliver product and services at pace we have decided to restructure. Due to the synergies between On the dot as a Delivery as a Service (DaaS) platform and LastMileLink Technologies as a Software as a Service (SaaS) platform, we will be merging the two business units under one brand – On the dot. This will come into effect from 1 May 2018.

## Overview of 2017

In 2017, the key focus was the launch of our SaaS delivery platform. We also launched our automated smart allocation app and our courier app for mobile devices, significantly improving service efficiency.

### SaaS delivery platform

Developed in less than 12 months, our new high performance cloud-based SaaS platform has helped transform the Group's operating model, opening up the business to an entirely new market segment. Since its launch, over 1,000 deliveries a day are processed by the platform, with auto allocation running at close to 90%. The horizontally scalable end-to-end system has been designed to cope with any load, consolidating jobs to improve operational and cost efficiency.

### Smart allocation app

Using machine learning algorithms our next generation smart allocation app allots and manages vehicle capacity dynamically, anticipating current and future demand in real-time. Leveraging over 10 years of historic, near real-time and real-time data from across the Group, our systems handle, on average, 1.5 million daily events and take approximately two seconds to allocate the best driver to a job. This has helped optimise the efficiency of our fleet reducing time to allocation by 200%.

**LastMileLink Technologies**

Designs and develops next generation technology

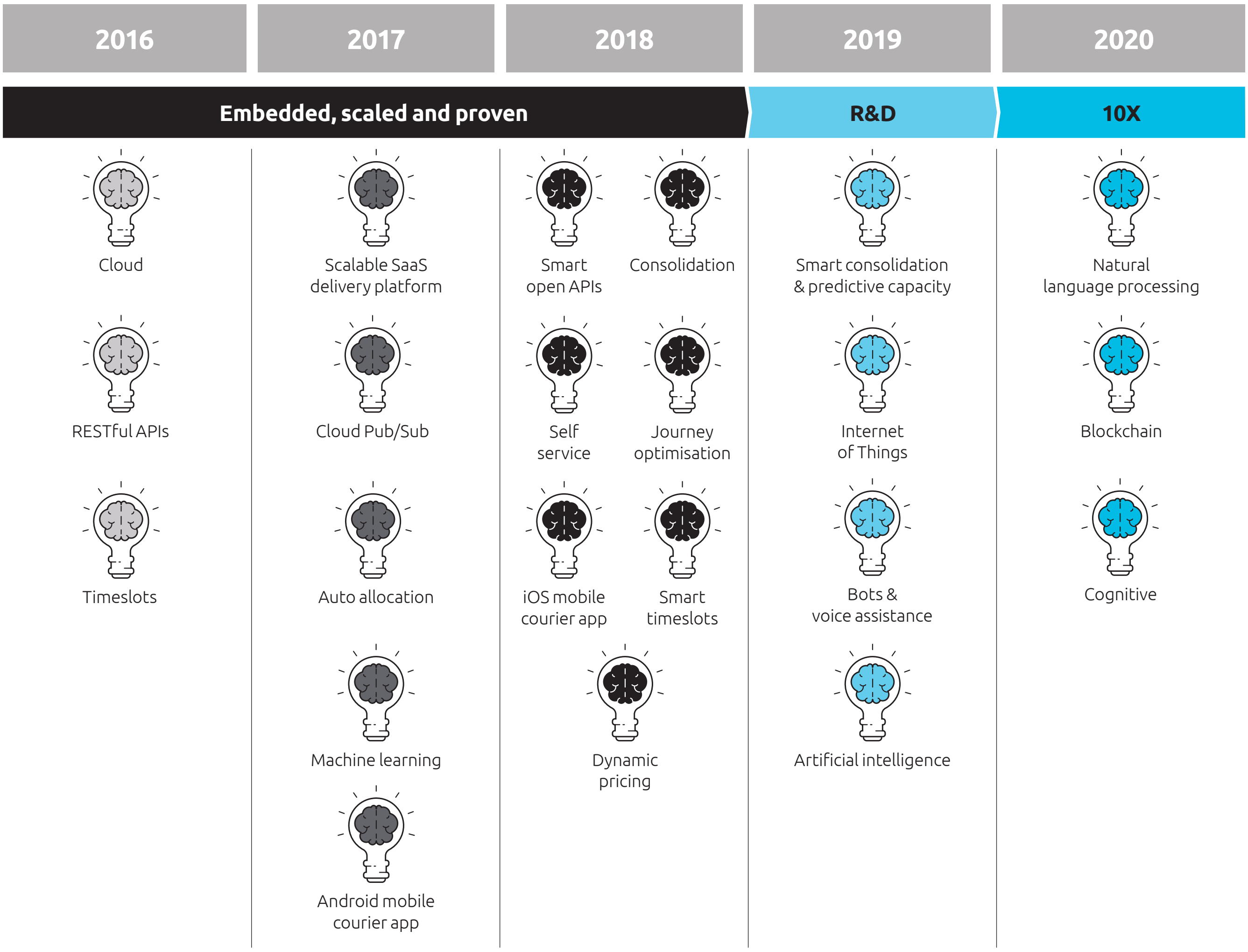
Tested at scale across the Group

**CitySprint + On the dot**

Anticipates and responds to customer demand

Drives innovation

**Our five year plan**




## API platform

We continue to add to our suite of RESTful APIs, that allow retailers to integrate our On the dot delivery service into their app, e-commerce website or EPOS system. In 2017, we began the development of a new booking API with improved response times (equal or below 400 milliseconds) and smart capacity that allows for a more efficient and accurate vehicle matching process, supporting clients with high volume deliveries. Integration with a business can now take place in less than 72 hours. The booking API was launched in February 2018.

Supporting our booking API is our scalable, smart artificial intelligence (AI) powered engine. Using machine learning, our unique same day big data sets and weather conditions, the engine intelligently manages our dynamic delivery and collections timeslots specific to set GeoZones.

## Courier app

Created to maximise the efficiency of the Group's fleet, reduce operational costs and improve the experience for our couriers, the app takes advantage of the bring your own device (BYOD) model. The app, which can be white labelled, helps couriers accept and manage work more easily. Features include timeslots, food ready notifications and pre-manifested multi stop jobs. We have already switched the first of our on circuit couriers onto the app, with the rest due to be migrated in 2018. Updated versions of the app are planned for release throughout 2018.

## Online booking platform

In November 2017, we began a pilot of a new online booking platform. Set on improving the customer proposition, the platform allows users to benefit from two new services, offering collection and delivery within 90, 120 or 240 minutes, and 1-hour delivery slots that can be chosen by the customer. The system's advanced analytics and intuitive interaction model will help to provide greater customer insight, ensuring we continue to develop the platform to meet our client's needs. A nationwide roll out is expected in late 2018.

## Future development

We are focused on our future and continue to research into new technologies such as AI, automation and big data, to deliver value and bring about change.

### Data science and artificial intelligence

We are investing heavily in our AI and machine learning capabilities to deliver greater insight into customer usage and their emerging needs. We continue to explore how we can efficiently use this data, turning it into quality insights that will in turn lead to better decision-making and improved functionality.

# LastMileLink Technologies continued

### Accurate prediction

By leveraging our machine learning and predictive models we expect to further improve the accuracy of driver arrival and delivery times, even predicting if a job might be delayed before it has been collected. The ability to make greater efficiency gains by removing dead time and mileage will be a significant advantage to the Group and its clients.

### Voice activation

Voice technology is one of the methods we are exploring to improve our interaction with our customers. Providing a simple and convenient method of communication, voice activation will play an important role in our customer experience in the future. As voice technology develops we hope to combine this with our AI technology, enabling our systems to remember customer preferences, improving the experience with each interaction.


### Big data analytics

We use big data analytics to uncover patterns, correlations and insight, identifying where we can make business decisions to improve the speed and efficiency of operations. Our data analytics team consolidate information from multiple systems including our booking and operational platforms, service centres, couriers and delivery vehicles. Using this data we are able to spot trends and variances helping us to understand behaviours so that we can improve the customer experience and optimise operations. The ability to work faster and stay agile ensures we remain competitive.

**170**

Retailers benefiting from our technology

### Partnerships

We always look for better ways of doing business and are working in partnership with a number of new and existing players in the food, healthcare and e-commerce delivery space. In 2016, Wickes and On the dot launched Wickes Hourly offering customers of the DIY retailer a 1-hour delivery timeslot of their choice. Wickes were the first retailer in their sector to do so. Further collaboration in 2017 led to the creation of an additional, bespoke service of AM/PM allocated deliveries for larger or bulkier items that can be dropped off at a specific location in a customer's home or workplace. Wickes customers using this service now place 26,000 orders a month.

**90%**

Achieving up to 90% auto allocation in all fast food deliveries

### 2018 priorities

We expect to commercialise our technical capabilities and proprietary technology to help our partners and clients in the UK and internationally benefit from a best-in-class delivery platform. We will continue to improve the online user experience for our customers as we roll out our new booking platform nationwide. New versions of our courier app are due to launch in 2018 and further investment will be made to our data analytics, core IT infrastructure and people expertise.

### Outlook

We will continue to push the boundaries of technology and explore new concepts and ways of working to improve what we do and the services we offer. We see the Group as continuing to benefit from our investment in new technologies to accelerate product innovation. This is further supported by the rise in consumer demand, which is expected to grow in significance over the next five years.

# Our platform

**We have invested for the future. Our platform provides a unique and unprecedented opportunity to develop innovative products that transform delivery, meeting the fast changing demands of our customers.**

Continuous innovation and investment in the right technology brings greater efficiency gains, improving the customer experience and increasing revenues and market share.

**Future focus**
We are well placed to generate profitable growth from our proprietary technology, delivering long-term strategic value to the Group.

Investment in our digital capabilities allows us to cater for continued customer growth in both domestic and new international markets.


**Dynamic timeslots and real-time ETAs**
A scalable SaaS infrastructure and data-driven approach supports algorithmic decisions and real-time operational monitoring.

**Delay prediction via machine learning**
Intelligent predictive algorithms use machine learning models to respond to demand in real-time.

**Automatic allocation**
Automated dispatch according to a defined set of parameters.

**Job consolidation**
Optimising routes and improving operational efficiency.

**Courier app for mobile devices**
An easy-to-use app that helps drivers maximise their earnings while accepting and managing work more easily.

**Easily integrated and customisable**
A modular platform that can be tailored to a customer's specific needs with the option to white label.

**Increased efficiency**
Automation and a machine learning model ensure high levels of operational efficiency. Optimising technology to increase efficiency has helped us to reduce costs and improve customer satisfaction.

**Best-in-class service**
Our platform offers faster, more efficient, accurate and precise delivery services. By creating a differentiating customer service we remain competitive and strengthen our position as market leader.

**Provides scalability**
The multi-tenant architecture of our platform allows the business to easily scale up to meet capacity requirements and customer expectations.

**Drives growth**
The benefit our platform brings to the business helps us to attract customers in new and existing markets. We can capitalise on these opportunities to achieve accelerated growth.

# Group Chief Financial Officer's review

**Gerard Keenan**
Group CFO

## Overview

The information presented in the Group Chief Financial Officer's review for 2017 relates to the 12 months ended 31 December 2017. For 2016, the information reflects the 12 months of the Group as per the consolidated trading available in the accounts of CitySprint (UK) Ltd and the 11 months from 4 February 2016 to 31 December 2016 as available in the accounts of CitySprint (UK) Holdings Ltd.

## Key performance indicators

The key performance indicators (KPIs) of the Group are its revenue and EBITDA (earnings before interest, tax, depreciation and amortisation), which are described in the review of the financial summary opposite.

Turnover for the year was 9.2% higher at £172.3 million (2016: £157.8 million; 2016 (11 months): £134.4 million). The growth in turnover of £14.5 million was in main due to the acquisitions in the year, supported by organic revenue growth.

## Gross margin

The gross margin for the Group, which include all related third party delivery costs, were 32.0% (2016: 33.0%; 2016 (11 months): 33.1%). The decrease is due to the mix in business as we move to higher growth markets – food, pharmacy and retail - which operate at a lower margin than the traditional core same day business.

## Administrative expenses

Administrative expenses for the year were £56.5 million (2016: £53.3 million; 2016 (11 months): £45.5 million), an increase of 6.0%. Most of this increase was due to staff costs and associated with the three acquisitions in the year.

**Financial KPIs**

| | Revenue (£m) | EBITDA (£m) |
|---|---|---|
| **2017** | 172.3 | 18.0 |
| **2016** | 157.8 | 17.4 |
| **2016 (11 months)** | 134.4 | 15.6 |
| **% increase** | 9.2 | 3.4 |

## Adjusted EBITDA

EBITDA for the year was 3.4% higher at £18.0 million (2016: £17.4 million; 2016 (11 months): £15.6 million).

## Interest

Interest is paid quarterly on the bank loans as set out in note 16 and interest on the shareholders loans is being accrued and is not due to be paid until the main loan notes are repaid. There is an interest rate swap in place, maintained by the Group to hedge against its exposure to cash flow interest rate risk on variable rate borrowings.

All of the bank loans are facilities that are secured by a fixed and floating charge over the assets of the Company and fellow Group undertakings.

## Taxation

The tax credit for the year was £0.7 million and the corporation liability for the year was zero. The Group is benefiting from the R&D tax credit scheme in respect of the associated spend on its new IT system.

## Retained loss for the year

Loss for the financial year was £11.4 million (2016: loss of £10.4 million; 2016 (11 months): loss of 10.4 million).

## Capital expenditure

Total capital expenditure for the year was £8.8 million (2016: £8.5 million; 2016 (11 months): £7.4 million) of which the main element was the development of the Group's in-house IT system (£7.1 million) for which we have claimed R&D tax credits. Most of the rest of the balance was spent on the current IT platform (£1.0 million) in respect of customer integrations and upgrades to that system.

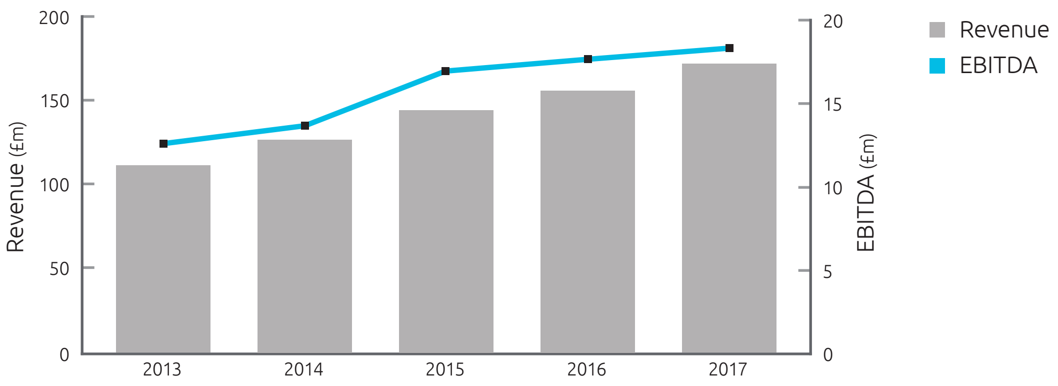
## Acquisitions

During the year the Group acquired three businesses.

On 29 March 2017 and 28 April 2017, we acquired the business and certain assets, excluding receivables of AG Holdings Limited and Grasshoppers Couriers Limited respectively. Both operated in the same day courier market.

On 31 July 2017 we acquired Transworld Global Express Limited and Transworld Global Couriers Limited. Both companies were newly incorporated and we acquired the courier business and certain assets, excluding receivables of Transworld's next day and international business.

**Revenue vs. EBITDA performance**




All three acquisitions were purchased by an upfront payment and then an earnout over 12 months based on turnover.

All three have performed in line with expectations for the year.

## Bank loans and cash flow

The year end net bank loans were £89.5 million (2016: £85.6 million) and the increase was due to the purchase of the three acquisitions in the year. The cash balance at the end of the year was £0.3 million (2016: £0.3 million) and reflects that all surplus cash is used to reduce the receivable finance facility. The year end balance on the receivable finance facility is £16.9 million and the maximum drawdown is capped at £22.0 million.

The net cash flows from operating activities were £14.6 million (2016 (11 months): £7.4 million).

## Prior year adjustment

The 2016 financial statements have been restated.

The Group's amortisation has been adjusted. This has impacted the Consolidated balance sheet in the following areas; goodwill restated by £1,887,580 and the Group's intangible assets by £3,707,343.

This has impacted the Consolidated statement of comprehensive income in amortisation by £5,594,923.

## Principal risks and uncertainties

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

### 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

Interest bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swaps contracts to hedge these exposures.

### 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. All other assets and liabilities are denominated in sterling.

### 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 and fixed term loan arrangements in place.

# Our marketplace

**The growth in the same day delivery market intensified in 2017 due to the confluence of demand from retail, B2B, prepared food and grocery. There are a number of influencing market trends in both the UK and the global market which we have explored below.**

## The impact of Brexit

The uncertainty around Brexit negotiations is causing small and large businesses alike to assess various strategies for business growth. Since implications are unclear, many are hedging against potential disruption. SMEs, which account for 60% of private sector employment, are exploring partnerships and investment into technology to strengthen their domestic positions whilst also assessing international expansion opportunities. Some larger companies are examining alternative overseas headquarters and planning for potential loss of UK staff due to immigration.

**Opportunity**: CitySprint works with both small and large companies across all sectors and conducts annual research into the health and confidence of SMEs through its annual Collaborate UK Report. In the 2017 edition of the report, 77% of UK SMEs were confident about the future. With a deep understanding of SMEs and their needs, the Group is well placed to support their evolution over the next couple of years with a suite of innovative, cost-effective services delivering competitive advantage to domestic businesses.

## UK economic outlook

Despite an uncertain political climate, UK GDP is forecast to grow at a steady 1.5% in 2018. Manufacturing, specifically in the Midlands and the north of the country, is expected to continue to perform well as a weaker pound allows for increased exports. Consumer price inflation is forecast to increase by 2.7%, slightly depressing consumer spending in non-food and grocery categories.

**Opportunity**: The Group is a well-diversified business supporting all UK regions and most business sectors. Its suite of B2B and retail services allows the Group to weather any dips in performance from economic sectors. Furthermore, the use of technology allows retailers to retain and grow their customer base with the right delivery options and businesses to efficiently move time critical goods.

## The digital generation

Millennials, the first 'digital generation' born between the early 1980s and the mid 1990s represent 35% of the UK's working population. This cohort primarily lives in urban areas and craves consuming experiences more than material goods. As these consumers mature their purchasing power and their economic contributions will grow in step. It is important to understand how their habits such as instant gratification consumption align with their personal values.

**Opportunity**: The Group's customer focused retail brand, On the dot, facilitates experienced based consumption that millennials increasingly demand. These propositions were initially launched to urban customers and will expand further as millennial behaviours shape the broader consumer base.

## AI technology and data

The ubiquity of high performance smartphones and ever improving cloud based platforms built on machine learning and AI, shifted technology from a 'disruption' to a core function in all industries. Big data driven, cloud platforms are influencing the traditional economic supply and demand factors, giving users instant access to products and services across B2B and B2C sectors. Improvements in data implementation will allow a better experience for customers and efficiencies for companies, with big data and the Internet of Things adding to the value of the UK economy.

**Opportunity**: The Group is constantly improving its cloud based logistics platforms and working with machine learning and AI to progress efficiencies and customer experiences across retail, food, healthcare and B2B sectors.

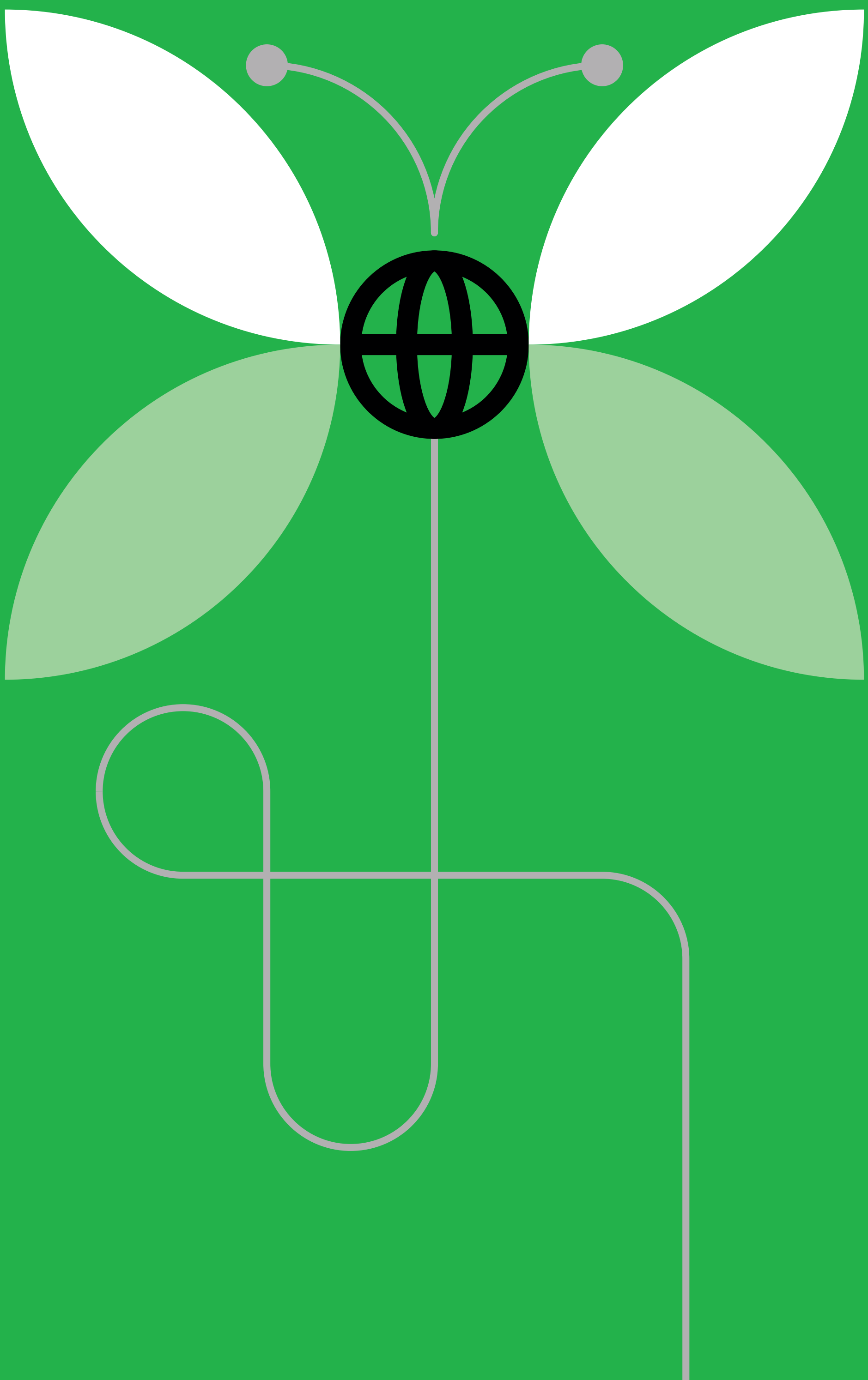
## Air quality and the environment

London is taking the lead with the 2019 Ultra Low Emission Zone (ULEZ) with other major UK cities such as Manchester and Bristol following suit. Intended to reduce harmful emissions generated by road transport, the measure will introduce a daily charge for all non compliant vehicles entering central London. Continued collaboration between the Government, parcel carriers, customers and manufacturers of green vehicles will be essential to help meet these ambitious policy measures.

**Opportunity**: We are addressing the clean air challenge by growing our fleet of low emission vehicles. The Group is partnering with vehicle manufacturers to innovate final mile delivery to achieve our goal to have an ultra low emission fleet in central London by 2020.

# We have flair

We are creative in how we do things. We have our own sense of style. Being resourceful and inventive puts us at the forefront of what we do.



# Industrial & commercial

**Revenue by sector**


| | 2017 | 2016 | Revenue growth |
|---|---|---|---|
| **Revenue** | £100.5m | £97.2m | 3% |

## Market overview

Subdued consumer spending, cautious investment and economic and political uncertainty relating to the outcome of Brexit negotiations affected UK economic growth in 2017. While service sector growth has remained modest, manufacturing ended the year strongly. The growth in renewable energy, maritime, aerospace and automotive has helped fuel the resurgence of the UK manufacturing industry. Manufacturing accounts for 45% of all UK exports and is benefiting from tailwinds of a weaker pound, which is offsetting slower growth in the construction sector.

## Service lines

- Private sector industries
- Small and medium-sized enterprises (SMEs)

## Services and customers

Our client base in the commercial sector is broad; covering automotive and aerospace, environmental and waste, facilities management, media, production and PR, professional services, utilities and petrochemicals. Within the industrial sector we support clients in manufacturing and transport businesses.

## Strategy

Industry specific solutions are of strategic importance to our clients. Utilising our detailed market and sector knowledge we provide customised and scalable services that create value. This approach has established us as the long-term distribution partner for many of our clients.

## Overview of 2017

Our business reported revenue of £100.5 million in 2017, compared with £97.2 million in 2016, an increase of 3%.

Despite the downturn in the UK market we have resigned 33 new contracts securing £18.3 million of business across our Platinum clients. In early 2017, we were awarded preferred supplier status for the Travis Perkins Group and we began work with new client, Wellbeing, who use our In-night service to support 52 of their engineers nationwide.

We have also won significant contracts with Apogee, ByBox, Doodle, Regus, RR Donnelley and Warner Bros.

We've experienced sustained growth in our ad hoc and pre-booked same day delivery services across all of commercial segments. We also continue to support our 3PL partners, in the provision of stock handling and replenishment.

Our long standing relationship with Mitie continued in 2017. This collaborative partnership has led to the development of pioneering initiatives such as our specially designed hydrogen van. Developed by the Group in partnership with Renault, the hydrogen van, which is the first of its type used by the courier industry, supports Mitie's document management business.

The successful integration of Transworld to the business in July 2017, extended our reach and strengthened the UK overnight and international services we offer our clients. The acquisition of Express Couriers operating out of Fife also strengthened our presence in Scotland. Our acquisition of Grasshopper Couriers, now operating out of our Leeds Service Centre, further supports our services in the north of England.

We have always supported small and medium-sized businesses that make up a significant percentage of our customer base. This focus continues. In 2017, we commissioned our fifth Collaborate UK survey of over 1,000 business owners and senior decision makers to better understand the challenges they face and how we can best support them with their growth strategy. We want to make it easy for our customers to do business with us and are working hard to ensure we are readily accessible and offer a seamless multi-channel experience.

**87% of SMEs are in the same or better shape financially compared to a year ago**

Collaborate UK 2017 – The confidence and health of UK SMEs

2017 has seen our CitySprint Office (formerly Document Solutions) product and service offering expand rapidly, with the introduction of our new UK unsorted mail postal solution and the launch of StockHub, our on-demand print, ordering and warehouse management system. This follows the successful transition of print and distribution specialist, PCM, to the business at the start of the year.

Our CityBags baggage repatriation business has won a number of new contracts including a three year term with International Airlines Group (IAG). We also expanded our service to support three Chinese airlines, a market which is experiencing significant growth. In 2018 we plan to migrate the business onto the Group's delivery platform to improve operational efficiency.

## Delivering operational excellence

We strive to consistently provide a high level of service for all of our customers. This level of care has been externally recognised winning 'Most Improved Complaint Handling' at the UK Complaint Handling Awards. We were also named the top delivery company by *Which?*, achieving a 92% satisfaction score in their 'Best and worst delivery companies 2017.'

## Technology

We continue to invest in technology to drive customer focused innovation and excellence. We use technology to make it easier for new and existing customers to book and pay for our services and we are using it to communicate with them in more sophisticated ways. This includes developing our CRM database, improving engagement and allowing us to personalise our communications with our customers.

## 2018 priorities

We are focused on building our current capability and service offering to support our clients' first and final mile delivery services. We will continue to develop specialised end-to-end delivery solutions and digitisation initiatives that will benefit all customer segments.

## Outlook

We expect our commercial and industrial clients, particularly within financial services, to face continuing challenges in the years ahead. We have aligned the business to help support our customers adapt to a difficult trading environment.

# Healthcare

## Market overview

Greater demand, the increase in chronic disease and the rising cost of diagnosis and treatment, combined with an ageing population and cuts in funding are placing huge pressure on the NHS. Set against a backdrop of empowered consumers demanding greater levels of care, access and convenience, the healthcare industry is experiencing huge change. New entrants are emerging; bringing expertise and knowledge from outside of the sector. The move to a more patient/customer centric approach is also leading to greater adoption of technology to help meet the demand for home delivery.

## Service lines

- Pharmacy to home deliveries
- Pharmaceutical logistics
- Pathology and specimen transportation
- Hospital logistics and emergency care
- Clinical trials logistics
- GP and hospital consumable fulfilment

**Revenue by sector**


| | 2017 | 2016 | Revenue growth |
|---|---|---|---|
| **Revenue** | £42.2m | £40.4m | 5% |

## Services and customers

We are the leading provider of specialist healthcare delivery for the hospital and pharmaceutical sectors in the UK. Our services have been designed to provide secure, time-critical, flexible and cost effective patient care whilst meeting the unique demands of the industry.

## Strategy

Our Pharmacy to home medication delivery proposition assists our national and independent pharmacy clients with their logistics, helping them keep pace with the demand for same day delivery. Providing innovative delivery solutions for the healthcare industry has always been a key differentiator for the Group, and an area we continue to invest in for the long term. Our expertise, service innovations and technology capabilities allow us to manage the chain of custody with end-to-end tracking and resolve the delivery challenges faced by both the NHS and the UK's independent healthcare providers.

**There has been an 84% rise in demand for pharmacy to home deliveries**

CitySprint Health research reveals that more than three-quarters of pharmacies (rising to 91% for independent pharmacies) now offer home deliveries[1].

## Overview of 2017

The business reported £42.2 million of revenue compared with £40.4 million in 2016, an increase of 5%.

The healthcare sector has experienced a considerable increase in the demand for home deliveries which has seen our Pharmacy to home delivery service grow with revenues of £0.8 million in 2017.

[1] Censuswide, who conducted the research on behalf of CitySprint Health in June 2017, interviewed 350 pharmacists working across clinical and independent pharmacies and national pharmacy chains.

The service which is now available nationwide has been adopted by national pharmacy chains, local independent and online pharmacies who recognise the value of offering an efficient and convenient same day delivery service. Demanded by customers since its launch in September 2016, we've delivered over 700,000 prescriptions with 7,500 deliveries made in a single day in August 2017.

We are also supporting a number of NHS Trusts with the delivery of specialist medicines from clinical pharmacies to patients' homes. The home service provides an alternative to hospital admissions and facilitates early discharge. This is of particular benefit to the elderly and patients with long term need.

In 2017, we have seen the further consolidation of pathology services as the NHS strives to improve outcomes and cost efficiencies. The flexibility of our service and the strength of our local network ensure we are ready to support NHS England as it makes important operational changes.

We've expanded our pathology and specimen transportation service supporting research institutes, hospital universities and NHS Trusts with the transportation of human tissue samples, across the UK and internationally. Deliveries will often be made under specialist temperature monitored conditions.

The launch of our new consumables webshop in partnership with CitySprint Office has proved a real success. The webshop allows healthcare professionals to view and order medical supplies and equipment online, ensuring stock levels are automatically updated. Ordered items are picked and packed in our Beckton Service Centre and delivered directly to the GP surgery or hospital. Currently used by an NHS Trust and a private healthcare client, we hope to expand the service across the UK.

Our work with veterinary practitioners continues to grow, supporting 160 sites across the UK with animal blood transportation and the collection of samples for testing.

### Delivering operational excellence

Quality, compliance, visibility and patient care are key to the service we provide. All of our national couriers who support pharmaceutical home delivery undergo a structured, rigorous training programme. Our live insights also allow our operators to flex delivery routes and manage emergency journeys in real-time. And by analysing data retrospectively via our reporting suite we are able to further improve productivity and efficiency.

### Technology

Technology is shaping the future of care playing a pivotal role in supporting efficiencies and delivering innovative and patient driven healthcare. Through our proprietary technology we help healthcare professionals and organisations to maintain security, privacy and compliance throughout the delivery process. This includes a fully tracked end-to-end delivery service, customer reporting and status updates, operational dashboards and electronic proof of delivery.

### 2018 priorities

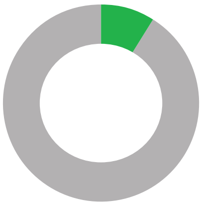
We expect to see the continued growth of our Pharmacy to home proposition as more UK pharmacies adopt the service. We will further explore how we can utilise technology to transform operations, drive efficiencies and improve customer experience for all of our healthcare clients.

### Outlook

We are well positioned to capture significant growth opportunities in the healthcare sector. The Group has decades of experience supporting the NHS and the private healthcare sector and will continue to apply its smart technology to improve processes and offer greater choice to patients.

# Retail

**Revenue by sector**




| | 2017 | 2016 | Revenue growth |
|---|---|---|---|
| **Revenue** | £14.9m | £8.2m | 83% |

## Market overview

Retailers are facing a period of transformation. Rising economic pressure, a change in consumer spending habits and the continued shift online has resulted in a challenging and competitive market. Digital and online technologies are also forging an inevitable evolution in retailer business models forcing them to innovate to meet the demand for instant gratification. Current trends suggest that the market will continue towards convenience with personalised deliveries a key differentiator, presenting significant growth opportunities for the Group.

## Service lines

- Timeslot delivery and collection
- Stock replenishment
- Bespoke logistics

## Services and customers

As a trusted partner to the UK's leading retailers, our dedicated retail business, On the dot, supports a number of sectors including fashion, lifestyle, DIY and electrical. Across these sectors we provide a wide range of services including delivery and collection in 1, 2 and 4-hour timeslots; delivery of click and collect purchases from store to home; stock replenishment between stores, dispatch centres and customers; stock storage; pick and pack fulfilment and international deliveries.

## Strategy

CitySprint Group has been able to capitalise on the rapid growth of the retail delivery market by being one of the first to offer a delivery solution that meets consumer demand for convenience and choice. We are focused on supporting both national and local retailers offer a smarter, personalised and cost-efficient delivery service that enables them to compete with pure-play giants such as Amazon.

## Overview of 2017

Our retail business reported revenue of £14.9 million, compared with £8.2 million in 2016, an increase of 83%.

With the continuing rise of online and mobile retail, the supply chain and delivery has become a number one priority for retailers. Combining our smart technology with our flexible and agile fleet, we provide a consistent and superior customer experience. We have seen exceptional growth in our active customer base and total booking volumes, which have continued to increase over the course of the year.

We always look for opportunities to grow and have secured a number of new clients over the year including high street retailers Currys PC World and ASOS. Our partnership with Currys PC World saw the launch of their 2-hour same day delivery service to 242 stores across the UK, and following the success of ASOS Instant, first launched in London in October, the service was quickly extended to Manchester and Leeds in November. ASOS Instant is due to be rolled out to further cities across the UK in 2018. In January 2018, we also launched our bespoke AM/PM delivery slot service with Wickes, after the success of the premium service - Wickes Hourly.

We remain committed to smaller retailers either with a high street or online presence. In 2017 we partnered and sponsored Save The High Street, a coordinated industry wide initiative to help Britain's high streets. In addition to sharing best practice advice and ideas, we are able to directly help member retailers offer a same day delivery service at a competitive price.

The introduction of our returns service, offering collection from customers' homes in a convenient hourly timeslot, has opened up a new market in 2017. The service allows retailers to manage the returns process more effectively, bringing greater efficiency to a crucial element of their e-commerce operation. We expect significant growth in the service as consumers seek better options, and retailers look to gain competitive and increased efficiency in their stock management.

In 2017 we also rebranded and launched a new website better aligning our offering to our core customer base and increasing our web presence.

### Delivering operational excellence

Our continued focus on delivering operational excellence and super customer service has been recognised with prestigious industry awards, including Best Customer Experience at the Delivery Excellence Awards and 'Delivery Initiative of the Year' at the Retail Systems Awards. The implementation of our innovative timeslot technology has enabled retailers to offer a best-in-class experience at every touch point in the customer journey.

### Technology

The retail delivery sector is undergoing a high level of technological disruption. Our innovative proprietary technology was created specifically to help retailers offer highly convenient deliveries. On the dot's open API ensures easy integration into retailer's existing e-commerce checkouts and EPOS, both online and in-store. All deliveries are GPS tracked in real-time with SMS and email notifications.

### 2018 priorities

We expect to experience strong growth in 2018 as we partner with retailers committed to offering choice when it comes to delivery. The focus over the next 12 months will be to extend our service offering, build on our recent contract wins and increase our brand presence.

### Outlook

The rapid increase in the level of innovation and disruption in last mile delivery is expected to continue. Our considerable investment in technology to improve the value we provide to our customers will ensure we are well placed to benefit from the rising demand for same day delivery.

## An award winning service with Currys PC World

Our award winning partnership with electrical and technology retailer, Currys PC World saw the introduction of the company's first same day delivery service in 2017. The new service allows shoppers to choose a specified 2-hour delivery timeslot, making shopping with the retailer more convenient than ever before.

**1st**

On the dot was awarded 'eCommerce Delivery Partner Best Use of Innovation' at the Delivery Excellence Awards for its partnership with Currys PC World.

**242**

Currys PC World's same day delivery service is available in 242 of its stores nationwide.

**50,000**

Currys PC World makes more than 50,000 deliveries a week.

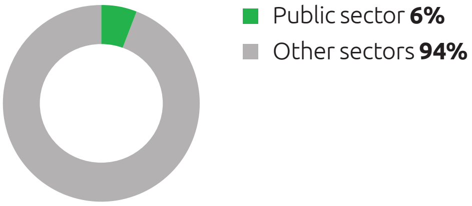
# Public sector

## Market overview
Public sector funding constraints continue as the Government focuses on meeting its deficit reduction targets. The sector is driven by a continual desire for improved efficiency and overall performance, which has led to the consolidation of government and wider public sector procurement. 2017 was also a year of increased uncertainty with Brexit, which has seen a delay in client decision making, fewer larger opportunities and greater consideration when commissioning contracts. This is expected to change in 2018 as the Government's position on exiting the EU becomes clearer.

## Service lines
- Central government
- Local government and authorities

## Services and customers
We are a strategic delivery partner for central and local government, education, defence and justice[1]. As an accredited supplier on the Government Procurement Service framework we are acutely aware of the requirements for delivering valuable and sensitive documents. We have built up a reputation for reliable, flexible, efficient and cost effective delivery services, developing long partnerships with the Crown Prosecution Service, the Ministry of Defence, the Environment Agency and many local authorities.

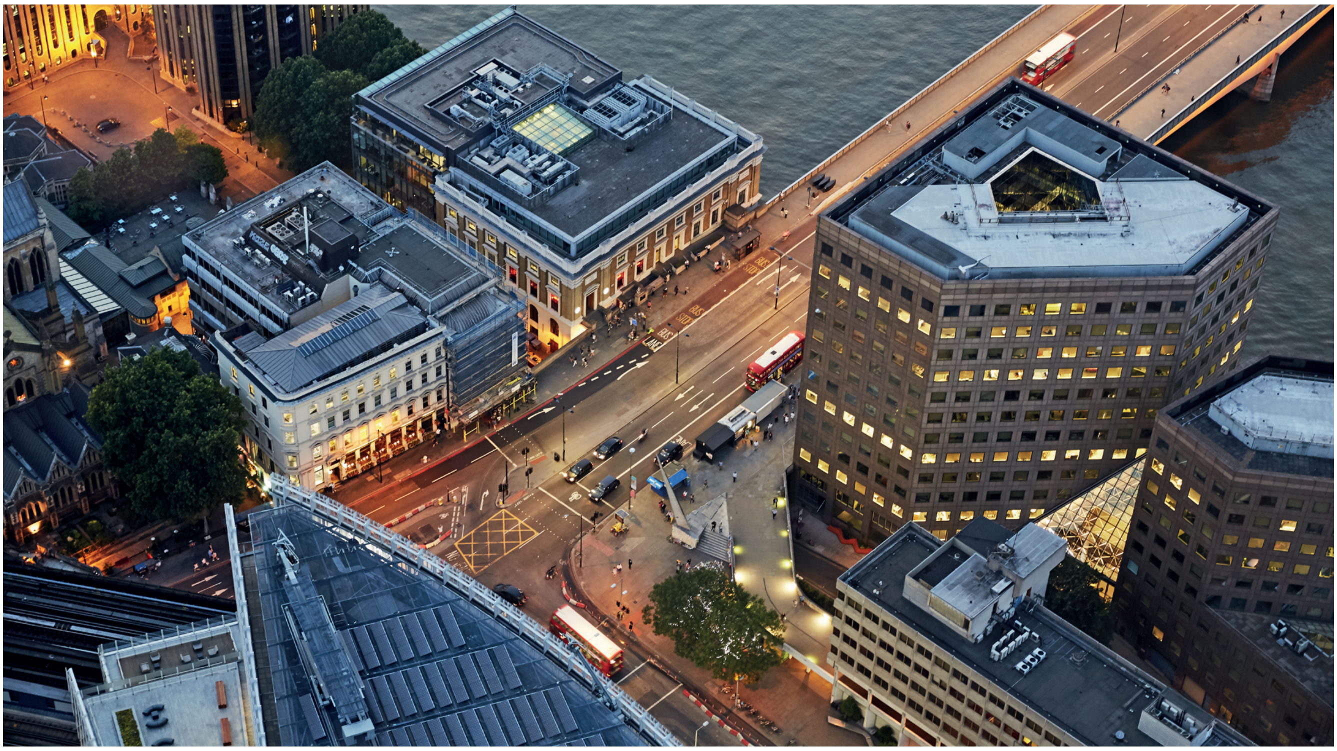
**Revenue by sector**




| | 2017 | 2016 | Revenue growth |
|---|---|---|---|
| **Revenue** | £10.4m | £10.7m | -3% |

## Strategy
Our public sector experience extends back decades. Over that time we have grown our offering, increasing market share and associated revenues by utilising our expertise, technology and delivery capability, to provide specialist logistics services. The consolidation of public sector procurement has brought further opportunity to the Group, with the need for logistics services across all entities.

## Overview of 2017
Our business reported revenue of £10.4 million, compared with £10.7 million in 2016, down 3%.



[1] The work that we do with NHS England forms part of our Health business. See page **28**.

In 2017, 6% of the Group's revenues were generated from our work in the public sector. National government contracts are our largest market overall, followed by local authority contracts.

At the end of 2017, we were awarded a three year contract on the Crown Commercial Service (CCS) framework, giving the Group access to over 40,000 public bodies. This is the third time we have been awarded the position. Since our appointment we have been successful in securing a partnership with the Department of Environment, Food & Rural Affairs (DEFRA).

**As a trusted partner to the Ministry of Defence, we are responsible for moving everything from aeroplane wings to ammunition**

We are also the only delivery company in the UK licensed to carry Ebola samples.

We were also appointed to the YPO framework in February 2018. Publicly owned, by 13 local authorities, YPO supplies a range of products and services to customers including schools, nurseries, emergency services and care homes.

We continued to deliver value to the Ministry of Defence as their preferred same day delivery partner, supporting the movement of goods from site to site.

In early 2018, we supported UK housing associations and local authorities with their logistics requirements. Services include route optimisation and stock replenishment, providing in-boot deliveries directly to engineers' vans.

Recognising the importance of cybersecurity, we are currently working towards achieving an ISO 27001 standard for information security management, expected to be in place by the middle of 2018. This is in addition to our ISO 9001 and ISO 140001 accreditation.

## Delivering operational excellence

Optimising efficiency whilst ensuring delivery reliability, flexibility and security is key to the public sector - something we do well. Route optimisation is just one of the areas where the Group provides considerable value, whilst still providing high levels of service. By reducing dead mileage and ensuring routes are appropriate to the vehicle, we are able to leverage fleets in the most efficient way, resulting in significant cost savings.

## Technology

Government departments recognise the need to invest in digital technology but many struggle due to the size, capital outlay and an often-cautious approach. Having supported the public sector for a number of years we understand the challenges faced by our clients and align our technology to best support their needs. We are able to offer complete transparency with real-time GPS tracking and electronic proof of delivery for full chain of custody. Our online booking platform also provides local authorities with a more efficient and convenient way of booking our services and tracking their shipments.

## 2018 priorities

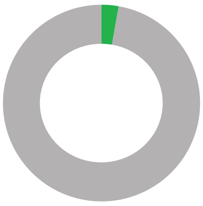
Our focus for 2018 is to continue to strengthen our partnerships, identifying areas where we can further tailor our services to meet the needs of public sector bodies. As part of our ongoing engagement programme we will also be supporting our sales teams to build lasting relationships with their local authorities.

## Outlook

We are well placed to support the public sector that will benefit from our experience, UK network and technological capability. We are ready to respond to changing demand whilst continuing to provide the support and specialist services favoured by the sector.

# Food & beverage

**Revenue by sector**



- Food & beverage **3%**
- Other sectors **97%**

| | 2017 | 2016 | Revenue growth |
|---|---|---|---|
| **Revenue** | £4.3m | £1.3m | 222% |

## Market overview

Digital technology has reshaped the prepared food delivery market, leading to a rise in new players who not only provide the platform for consumers to order their food but also the logistics for restaurants. In 2017, the marketplace became even more competitive as Deliveroo and Just Eat focused on attracting more restaurants to their platforms. Same day grocery also gained momentum partly due to Amazon's acquisition of Whole Foods. The move allows Amazon to join Whole Foods' local stores with its delivery network to offer same day services in London. Tesco and Sainsbury's also launched 1-hour delivery propositions in the capital. Other large grocers are expected to follow suit, partnering with carriers to leverage their stores for local fulfilment whilst seeking an additional revenue stream.

## Service lines

- Fresh food (hot and chilled)
- Grocery
- Alcohol

## Services and customers

We support the delivery of hot and chilled fresh food for our restaurant, online and supermarket partners. We also assist the nationwide delivery of prepared recipe boxes, bottled alcohol for wine and spirit merchants and pub drinks logistics. Ensuring fresh foodstuffs reach the end consumer conveniently and reliably whilst offering a high level of flexibility and service is key to our proposition.

## Strategy

The adoption of digital technology to enable fast food delivery has opened an entirely new market segment for CitySprint Group. We are well placed to meet the increasing demand for same day food and grocery deliveries, successfully applying our timeslot technology and urban efficiencies. We have been quick to capitalise on this high-growth sector.

## Overview of 2017

The business reported £4.3 million of revenue in 2017 up from £1.3 million in 2016, an increase of 222%.

2017 has seen the Group make over 135,000 fast food deliveries, scaling to service restaurants in 26 UK towns and cities in less than 12 months.

Delivery partner for a leading global online food takeaway company, we have gained a strong foothold in the growing food delivery market. Our unrivalled same day fleet size, national coverage and high service standards, supported by innovative technology makes us an attractive choice.

In 2017, the Group supported the delivery of alcohol from store or distribution centre to home, for retailers and wine and spirit merchants such as Berry Bros. We also provide logistics for the pub trade supporting the drinks industry with its unique supply chain challenges. We expect these partnerships to continue in 2018.

**£3m**

In 2017 we delivered over £3 million of fried chicken.

**135,000+**

We achieved a major milestone in 2017, delivering over 135,000 hot food orders for a major restaurant delivery partner.

## Delivering operational excellence

At peak, over 90% of all our hot food orders are auto allocated through our same day delivery platform that supports a service operating seven days a week. These huge productivity gains are possible because we are able to leverage our smart technology and automation to achieve high levels of operational and capital efficiency.

## Technology

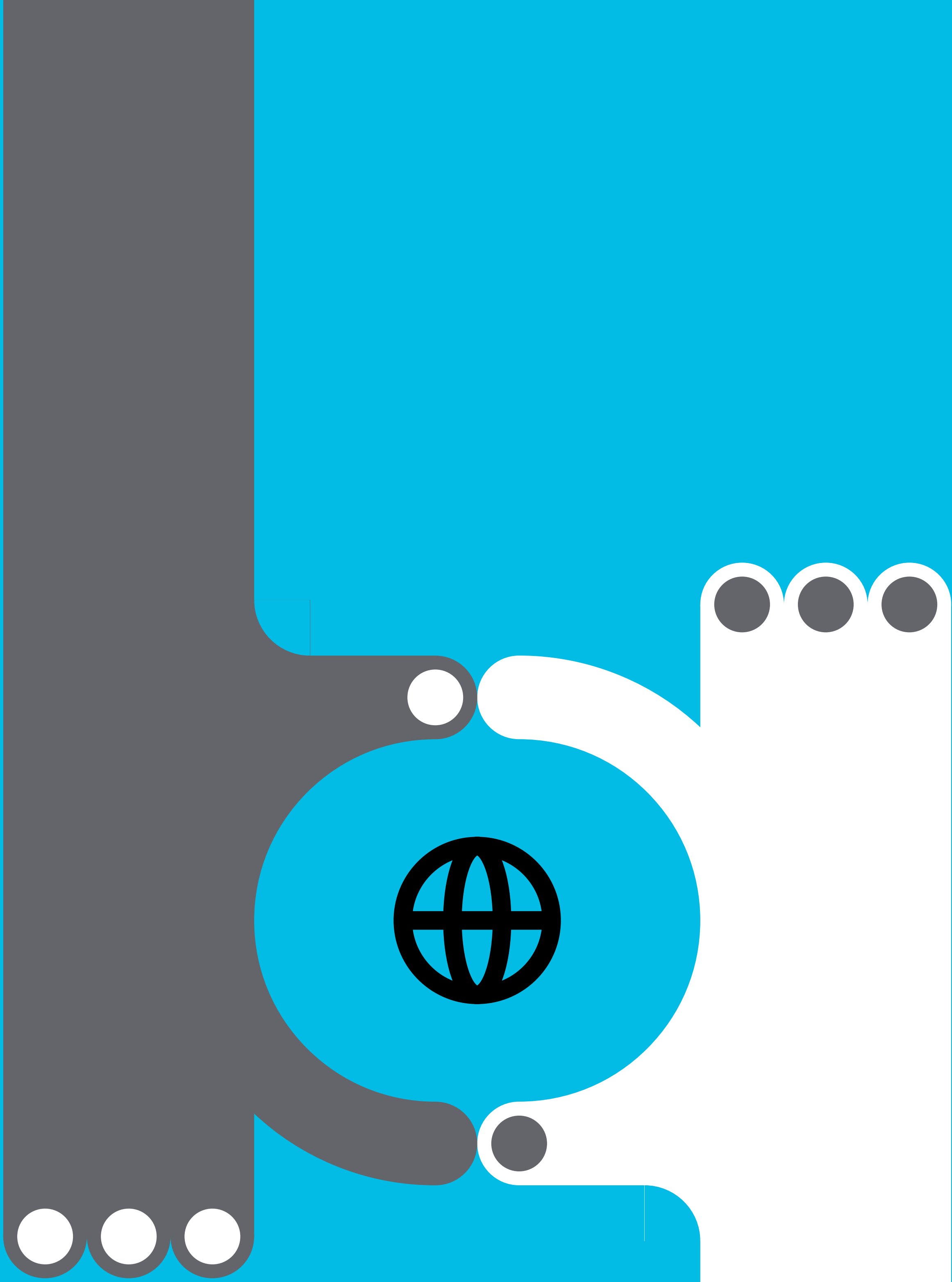
Our cloud based SaaS delivery platform enables both third party delivery companies and enterprises with their own in-house fleet to optimise operations and expand their offering and capabilities, quickly and efficiently. In an industry undergoing immense change, our platform is opening up new opportunities, improving unit economics and allowing our partners to meet the on-demand expectations of their customers.

## 2018 priorities

By leveraging our technology we will help our partners maintain a competitive edge and secure market share. We will continue to explore ways to further improve productivity and in turn the value we offer our customers.

## Outlook

We are well placed to capitalise on the anticipated growth in this sector, applying our timeslot technology and urban efficiencies to fulfil same day deliveries nationwide.



# We are human

We never forget that our business is about people, both our valuable customers and our dedicated employees. We care. The connections we make are genuine.

# Our people

**Our people are key to our success, bringing our values to life and putting our strategy into action. We are a dynamic company that relies on individuals with passion and creativity to continually develop our business.**

In 2017, we had an average monthly headcount of 906 people with 397 employed in our regional operations and 207 employed in our London operations. The remaining 302 are made up of sales and marketing, managers and administration staff.

**Headcount by division**

- Regional operations **397**
- London operations **207**
- Managers and administration **160**
- Sales and marketing **142**

## 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 while ensuring we have the capabilities in place to implement our strategy.

We 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.

In 2017, we launched the CitySprint Group Academy of Excellence based at our Hemel Hempstead Service Centre. The Academy was established to provide bespoke leadership training for our management team based around a series of uniquely created courses. We currently have 30 managers completing the ILM leadership course.

## 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, marketing and operations. The scheme provides valuable workplace experience for young people and in 2017 CitySprint Group worked with 30 individuals.

## Engaging and inspiring talent

Our Shining Star Award programme 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 our company values.

Our monthly opinion survey, Pulse, 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 support the development of targeted action plans at Group and local level.

Our employee representative body helps to improve communication throughout the company. Meeting on a quarterly basis, the Employee Forum is an opportunity for representatives to make a valuable contribution to the Group with benefits such as Medicash, season ticket loans, pension, corporate gym membership and an employee referral scheme introduced. In 2017, we invested in Perkbox, a scheme which helps promote financial, emotional and physical wellbeing with a range of discounts and benefits. The scheme is available to all employees.

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 intranet provide a vital source of company information. These have further helped to increase employee engagement and communication across all of our service centres.

## Valuing our couriers

Our UK self-employed deployable courier fleet of over 5,000 is the largest in our sector, increasing by a third in the past five years. We offer excellent opportunities for couriers who can choose from a range of work to best suit them, including fast food delivery rider, and local and national couriers.

All 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 tips on reducing fuel consumption. Our online portal, iFleet, contains courier information including vehicle details, training and key documents, and ensures we are able to provide the correct level of support needed for each courier when supplying services to us.

In 2017, three of our couriers were recognised by the industry at the Institute of Couriers, National Courier Awards. The awards were given to the couriers for their flexibility, reliability and dedication to their work.

# Corporate responsibility

**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.**


## 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 2017, 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 homeless people, since 2010. We offer practical, year round support that includes providing vehicles for the Crisis team to collect and distribute donations, to helping people move into permanent accommodation. In 2017, we helped over 4,500 people gain access to the charity's vital services.

**Action for Children:** LastMileLink Technologies' chosen charity for 2017, Action for Children, help thousands of young people to build better lives by providing essential support, accommodation, education and training. To help raise money for the charity, members of the LastMileLink Technologies team gave up their beds for one night to participate in Byte Night, the UK's largest sleep out event from the technology and business services.

**Easter Egg Mountain Campaign:** Challenged with building the largest Easter egg mountain, colleagues across all of our service centres donated chocolate for charity for the second year in a row. Forming partnerships with local businesses eager to participate in the cause, employees collected thousands of Easter eggs, which were donated to charities and non-profit organisations across the UK.

### Sponsorships

We 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 core values.

> **"I am absolutely delighted to have won the overall drivers' championship and proud to have had a market leading company such as CitySprint sponsor me."**
>
> **Ashley Sutton**
> 2017 British Touring Car Champion

For the first time, the Group sponsored 23 year old, Ashley Sutton in the 2017 British Touring Car Championship. The partnership proved extremely successful with Ashley winning the title, becoming the youngest champion since 1966.

## 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.

### Environmental standards

CitySprint Group is certified to ISO 14001: 2015, the most widely recognised environmental management system. This demonstrates our commitment to improve our environmental performance through more efficient use of resources, the reduction of waste, and compliance with current and future statutory and regulatory requirements.

### Reducing our impact on the environment

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:

- Increasing the number of low and zero emissions vehicles in our national fleet. In 2017, we doubled the number of electric vehicles and increased our electric cargo bikes by 20%
- Reducing our business miles. Our target for 2018 is to lower our business miles by 5%
- Reducing our energy use across our network by 5% in 2018


## Emissions

Our continued investment in technology is helping us enhance the efficiency of our operations, 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 are still the main option when it comes to offering same day courier services at a competitive price, but we are working 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 and selecting diesel engines that comply with Euro 6 standards or above. We continue to remove older vehicles from our fleet and provide low or zero emission vehicles wherever possible.

All of our service centres operate using zero emission solar or wind energy and we are actively reducing emissions from staff travel by promoting the use of public transport, car sharing and video conferencing whenever possible.

## Expanding our green fleet

We place great importance on identifying new types of vehicle to add to our fleet as we strive to meet the challenges of urban delivery. In 2016, the Group began exploring zero emission alternatives to make vital deliveries within the heavily polluted centre of London. We continue to find innovative ways of optimising our fleet to ensure emissions are as low as possible, and are committed to working with Transport for London and the broader community to improve air quality.

### Pushbike

Pushbikes are a core part of our business with over 120 cycle couriers in London at peak demand. The number of cycle couriers grew by 25% in 2017, with each bike saving three tonnes of green house gas emissions every year.

### Electric vans and cargo bikes

In 2017, we added four electric vans to our London fleet as well as introducing electric cargo bikes for smaller deliveries. Able to hold a greater capacity than a normal pushbike, cargo bikes can still easily navigate busy city centres allowing for more efficient and faster deliveries at peak times. The introduction of cargo bikes also allows us to move small vans to less congested areas outside central London.

Following an initial trial and the positive response received by our clients, we expanded our fleet of cargo bikes from two to 25. We are working in collaboration with a European cargo bike manufacturer to increase the number of vehicles in 2018, extending our reach in London and introducing the bikes to cities across the country.

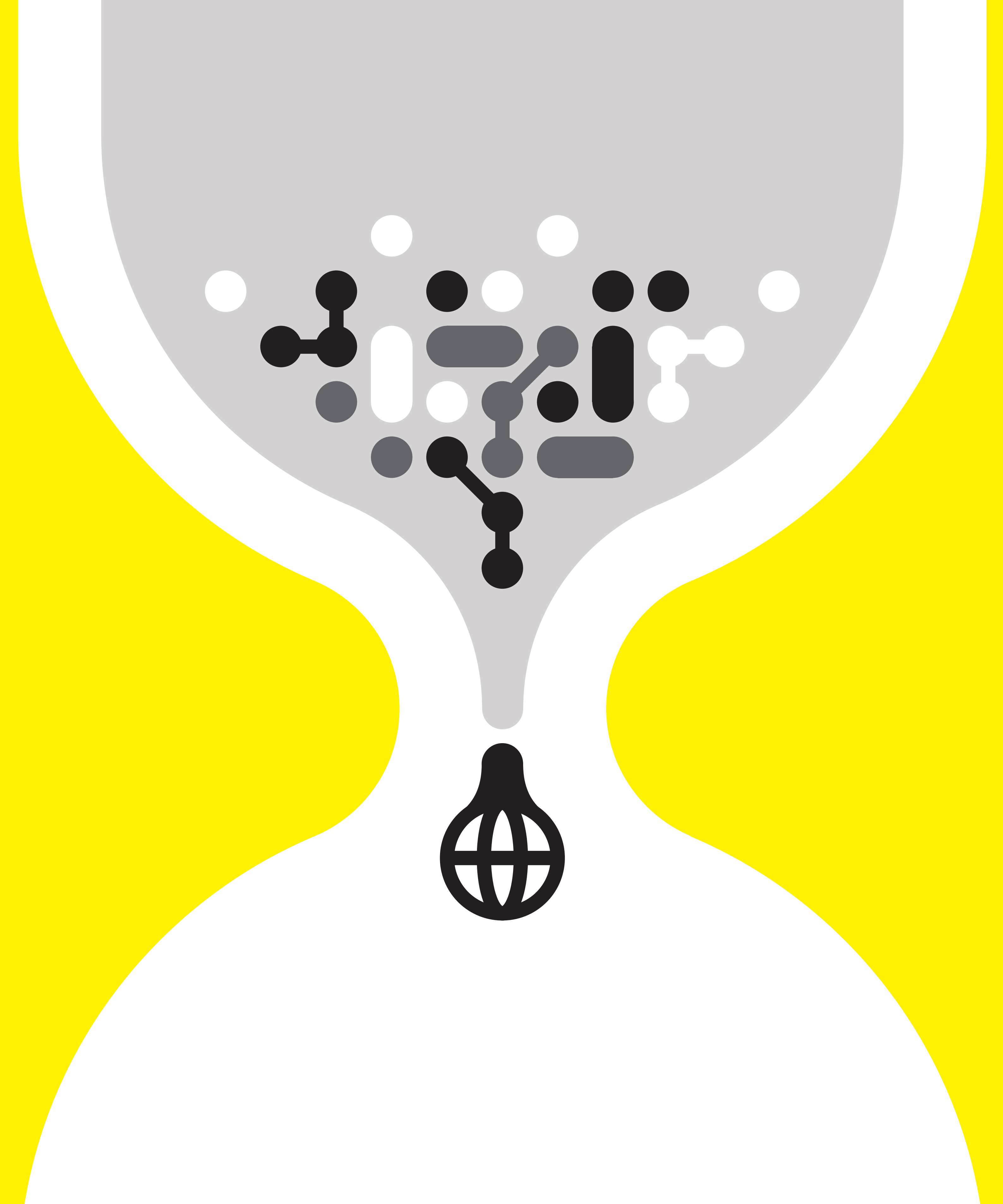
### Hydrogen van

In December, we introduced our first hydrogen van to the fleet. Developed in partnership with Renault, the van is powered by a battery and hydrogen fuel cell and has the range of a conventional vehicle, travelling up to 200 miles per day. This followed a successful trial of the vehicle in partnership with Mitie.

The green fleet expansion helped CitySprint Group prepare for the 2017 central London Toxicity Charge and the April 2019 Ultra Low Emission Zone implementation. Our goal is to have a zero emission fleet in central London by 2020.

## Engineering students help make CitySprint Group greener

Six engineering interns from the University of Southampton were selected to work on a seven-month long project to analyse our London operations and identify solutions to increase the efficiency and performance of zero emissions vehicles. The project, which is due to complete in May 2018, will bring a fresh perspective to solving the challenges of final mile and same day operations.



# We keep it real

We've always got our feet on the ground. Technology doesn't have to be impersonal and complex; it needs to be straightforward and human. We combine practical expertise with innovation.

# Board of Directors

## 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 Group 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 the Group.

## Patrick Gallagher | 51
**Group CEO**

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. 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.

## Gerard Keenan | 49
**Group CFO**

Gerard supported the company's aggressive growth strategy by successfully refinancing CitySprint on four separate occasions (2015, 2011, 2007 and 2005) and assisted in two management buyouts in 2016 and 2010. He has also led the successful acquisition and integration of 33 businesses into CitySprint Group. He was awarded 'Private Equity-Backed FD of the Year' in 2015.

## Nicholas Hoare | 36
**Non-Executive Director**

Nicholas represents Dunedin's investment on the board. He was involved in both buyouts of CitySprint (2016 and 2010) and has sat on the boards of etc.venues and Steeper Holdings prior to their exits. Nicholas was a Partner at Dunedin with a focus on business services and technology, before leaving in December 2017 to find an opportunity to invest in and take an executive leadership role.

## Andy Lyndon | 48
**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 both 2017 and 2015 Insider Midlands Dealmakers Awards.

# Executive Team

**Patrick Gallagher | 51**
**Group CEO**
For Patrick Gallagher's skills and experience see page 41.

**Gerard Keenan | 49**
**Group CFO**
For Gerard Keenan's skills and experience see page 41.

**Santosh Sahu | 38**
**CEO, On the dot***
Santosh is responsible for leading the development of the Group's next generation final mile delivery technology, and has been instrumental in the design and implementation of On the dot's defined timeslot delivery platform. Prior to this, Santosh 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.

**Darren Taylor | 47**
**COO, On the dot***
Darren is responsible for the operationalisation of new technology platforms and leading On the dot's business transformation. He is focused on driving innovation and growth of the Group's store-to-consumer delivery proposition in the retail, pharmacy and food & beverage sectors. Darren has over 21 years of industry experience and has held a number of senior positions within the Group.

**Paul Gisbourne | 45**
**COO, CitySprint**
Paul has been integral to the double-digit year-on-year growth of the company by creating a clear focus, investing in people and establishing a platform across the network for accelerated scale. He is responsible for delivering the financial budget across all departments, ensuring the customer remains a key focus. Prior to CitySprint, Paul supported TNT & UKMail with their logistics growth plans.

**Justin Moore | 47**
**CSO, CitySprint**
Justin is responsible for all areas of new business and business development. He is the driving force behind improved sales revenues and has built a multi-talented team of professionals responsible for achieving growth in a rapidly evolving industry. Justin is committed to developing smart, sustainable and scalable solutions that meet the delivery needs of CitySprint's customers.

*Formerly LastMileLink Technologies.

## Sally-Anne Canning | 38

**Marketing Director, CitySprint Group**

Sally-Anne leads the brand strategy, PR and marketing functions of the Group. She is responsible for the delivery of commercially focused strategic marketing; customer, market and competitor insight; and all communications. She spearheaded the company rebrand, the launch of the On the dot brand and the development of the Pharmacy to home product. Sally-Anne has over 15 years' marketing management experience.

## Matt Lister | 42

**Finance Director, CitySprint**

Matt has significant financial and operational experience, overseeing revenue growth for the Group from £46 million to £172 million over the past 11 years. He supported the management buyout of CitySprint in 2016 and 2010 and has led the financial due diligence on many of the Group's acquisitions. He is responsible for the management of the Group's day-to-day financial and reporting activities.

# Directors' report

The directors present their annual report on the affairs of the Group and Company, together with the financial statements and auditor's report, for the year ended 31 December 2017 and comparative period of 11 months from the 4 February to 31 December 2016.

## Principal activities

The principal activities of the Group during the year 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 Officers Review statement on page 7 and can be found in the subsequent event note 24.

## Research and development

During 2017 the Group continued to make significant investment in its IT platform.

## Going concern

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

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 currently investing the majority of its cash surplus into its technology company Last Mile Link Technologies Limited. This level of investment is reviewed periodically in line with the Group's banking covenant levels.

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 16.

Further details regarding the adoption of the going concern basis can be found in the 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 on page 23.

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

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

## Dividends

The directors do not recommend the payment of a final dividend (2016: £nil).

## Directors

The directors, who served throughout the year except as noted, were as follows:

D J R Burtenshaw
P A Gallagher
N D S Hoare
G A M Keenan
A Lyndon
N Meissner (resigned 12 May 2017)

## Directors' indemnities

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

## Charitable contributions
During the year the Group made charitable donations of £4,558 (2016: £12,829).

## 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.

## Political contributions
Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2016:£nil).

## Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

**G A M Keenan**

**Director**
25 April 2018

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

# Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Annual Report/Strategic Report/the Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect 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 UK 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

## 1. Our opinion is unmodified

We have audited the financial statements of CitySprint (UK) Holdings Limited ('the Company') for the year ended 31 December 2017 which comprise the Profit and loss and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement, and the related notes, including the accounting policies in note 1.

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 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

**Existence of internally generated intangible assets**
(£13.7 million)

Refer to page 58 (accounting policy) and page 69 (financial disclosures)

The risk – Accounting judgment

Last Mile Link Technologies Limited (LMLT) capitalises costs in relation to internally developed technology. In order to determine whether these costs should be capitalised, the group must assess whether the cost meets the capitalisation criteria set out in the accounting standards. This requires significant judgment.

Our response - Our procedures included:

- Personnel interviews: We made enquiries of the COO and project staff to support the eligibility of the software development costs for capitalisation in accordance with the relevant accounting standards;
- Evaluating management's assessment: We challenged management's assessment of whether the FRS102 capitalisation criteria are met; and
- Test of details: On a sample basis, we agreed capitalised amounts to supporting documentation including payroll reports and third party invoices.

**Recoverability of Group goodwill and other intangible fixed assets (customer relationships and brand)**
(Group goodwill £80.4 million; customer relationships £48.2 million; brand £21.0 million)

Refer to page 58 (accounting policy) and pages 68 and 69 (financial disclosures).

The risk – Low risk, high value

- The carrying amount of goodwill and other intangible fixed assets (customer relationships and brand) represents 80% of consolidated total assets. Their recoverability is not at a high risk of significant misstatement. However, due to their materiality in the context of the consolidated financial statements, this is considered to be the area that had the greatest effect on our audit of the consolidated financial statements.
- Under the relevant accounting standard, the existence of indicators of impairment is assessed at each reporting date. This assessment requires significant judgment. An impairment test is carried out only when an impairment indicator exists.

# Independent auditor's report to the members of CitySprint (UK) Holdings Limited continued

Our response - Our procedures included:

- Evaluating management's assessment: We challenged management's assessment that there are no indicators of impairment with reference to internal and external sources of information;
- Sector experience: We considered our experience of the industry and assessed whether there were any external indicators of impairment; and
- Historical accuracy: In respect of management's assessment of internal indicators of impairment, we assessed the Group's forecasting accuracy by assessing its track record of forecasts vs actual cashflows.

**Recoverability of parent's debt due from group entities**
(£122.0 million)

Refer to page 56 (accounting policy) and page 73 (financial disclosures).

The risk – Low risk, high value

- The carrying amount of the intra-group debtor balance represents 100% of the parent company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our audit of the parent company financial statements.

Our response - Our procedures included:

- Tests of details: We assessed 100% of group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making; and
- Assessing subsidiary audits: We considered the work performed on the relevant debtors' by the audit team, and considered the results of that work on those net assets, including assessing the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable.

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £850k, determined with reference to a benchmark of revenue (of which it represents 0.5%).

We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £765k, determined with reference to a benchmark of company total assets of which it represents 0.62%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed full scope audits for group purposes for all 10 of the group's reporting components, as well as the audit of the parent company, covering 100% of the Group's total revenue, profit before tax and net assets.

The Group team approved the component materialities, which ranged from £21k to £849k, having regard to the mix of size and risk profile of the Group across the components.

## 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Strategic report and directors' report**
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## 7. Respective responsibilities

**Directors' responsibilities**
As explained more fully in their statement set out on page 46, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 8. The purpose of our audit work and to whom we owe our responsibilities

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.

**Julie Wheeldon (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
**Chartered Accountants**

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

25 April 2018

# Profit and loss and other comprehensive income

For the year ended 31 December 2017

| | Note | Year ended 31 December 2017 £ | 11 month period ended 31 December Restated 2016 £ |
|---|---|---|---|
| **Turnover** | 3 | **172,349,255** | 134,441,092 |
| Cost of sales | | **(117,210,742)** | (89,994,899) |
| **Gross profit** | | **55,138,513** | 44,446,193 |
| Administrative expenses | | **(56,548,244)** | (45,503,705) |
| **Operating loss** | | **(1,409,731)** | (1,057,512) |
| Operating loss comprises: | | | |
| EBITDA | | **18,009,062** | 15,568,459 |
| Non-trading items | 8 | **(1,536,107)** | (3,350,652) |
| Depreciation | | **(3,579,622)** | (3,163,184) |
| Amortisation of intangible asset | | **(8,653,997)** | (5,856,542) |
| Amortisation of goodwill | | **(5,649,067)** | (4,255,593) |
| Net finance costs | 7 | **(10,728,616)** | (9,457,642) |
| **Loss before taxation** | 4 | **(12,138,347)** | (10,515,154) |
| Tax on loss | 9 | **735,173** | 154,088 |
| **Loss after taxation** | | **(11,403,174)** | (10,361,066) |
| **Loss for the year attributable to:** | | | |
| Equity shareholder of the Company | | **(11,403,174)** | (10,361,066) |
| | | **(11,403,174)** | (10,361,066) |

The accompanying notes form part of the financial statements.

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

There are no further recognised income or expenses in either financial year other than the loss for that year.

EBITDA is presented on the face of the profit and loss account as the Directors believe that it is a key financial performance measure for the Company. EBITDA is defined as the operating profit before interest, taxation, depreciation, amortisation and non-trading items (see note 8).

The prior year restatement is detailed in note 1.

# Consolidated balance sheet

As at 31 December 2017

| | Note | 2017 £ | 2016 Restated £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Goodwill | 10 | **87,742,531** | 90,532,602 |
| Intangible assets | 11 | **89,160,991** | 87,668,268 |
| Tangible assets | 13 | **6,110,572** | 7,950,677 |
| | | **183,014,094** | 186,151,547 |
| **Current assets** | | | |
| Debtors | 15 | **37,587,741** | 34,302,329 |
| Cash at bank and in hand | | **301,718** | 257,539 |
| | | **37,889,459** | 34,559,868 |
| **Creditors: Amounts falling due within one year** | 16 | **(36,937,105)** | (35,704,978) |
| **Net current assets/(liabilities)** | | **952,354** | (1,145,110) |
| **Total assets less current liabilities** | | **183,966,448** | 185,006,437 |
| **Creditors: Amounts falling due after more than one year** | 16 | **(165,100,404)** | (154,737,749) |
| **Net assets** | | **18,866,044** | 30,268,688 |
| **Capital and reserves** | | | |
| Called-up share capital | 18 | **7,790** | 7,782 |
| Share premium account | | **40,622,494** | 40,621,972 |
| Profit and loss account | | **(21,764,240)** | (10,361,066) |
| **Shareholders' funds** | | **18,866,044** | 30,268,688 |

The accompanying notes form part of the financial statements.

The prior year restatement is detailed in note 1.

The financial statements of CitySprint (UK) Holdings Limited (registered number 09987453) were approved by the Board of directors and authorised for issue on 25 April 2018.

They were signed on its behalf by:

**P A Gallagher**
**Director**

# Company balance sheet

As at 31 December 2017

| | Note | 2017 £ | 2016 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 14 | **1** | 1 |
| | | **1** | 1 |
| **Current assets** | | | |
| Debtors | 15 | **122,500,712** | 116,011,188 |
| Cash at bank and in hand | | **73** | 777 |
| | | **122,500,785** | 116,011,965 |
| **Creditors: Amounts falling due within one year** | 16 | **–** | – |
| **Net current assets** | | **122,500,785** | 116,011,965 |
| **Total assets less current liabilities** | | **122,500,786** | 116,011,966 |
| **Creditors: Amounts falling due after more than one year** | 16 | **(81,606,447)** | (75,561,525) |
| **Net assets** | | **40,894,339** | 40,450,441 |
| **Capital and reserves** | | | |
| Called-up share capital | 18 | **7,790** | 7,782 |
| Share premium account | | **40,622,495** | 40,621,973 |
| Profit and loss account | | **264,054** | (179,314) |
| Shareholders' funds | | **40,894,339** | 40,450,441 |

The accompanying notes form part of the financial statements.

The financial statements of CitySprint (UK) Holdings Limited (registered number 09987453) were approved by the board of directors and authorised for issue on 25 April 2018.

They were signed on its behalf by:

**P A Gallagher**
**Director**

# Consolidated statement of changes in equity

At 31 December 2017

| | Equity attributable to the equity shareholder of the Group | | | |
|---|---|---|---|---|
| | Called-up share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
| **At 4 February 2016** | – | – | – | – |
| **Total comprehensive income for the period** | | | | |
| Loss for the financial period, as previously reported | – | – | (15,955,996) | (15,955,996) |
| Prior year adjustment | – | – | 5,594,930 | 5,594,930 |
| Profit for the year as restated | – | – | (10,361,066) | (10,361,066) |
| **Transactions with owners recorded directly in equity** | | | | |
| Issue of shares | 7,782 | 40,621,972 | – | 40,629,754 |
| **At 31 December 2016 - Restated** | 7,782 | 40,621,972 | (10,361,066) | 30,268,688 |
| **At 1 January 2017 - Restated** | **7,782** | **40,621,972** | **(10,361,066)** | **30,268,688** |
| **Total comprehensive income for the period** | | | | |
| Loss for the financial year | **–** | **–** | **(11,403,174)** | **(11,403,174)** |
| **Transactions with owners recorded directly in equity** | | | | |
| Issue of shares | **8** | **522** | **–** | **530** |
| **At 31 December 2017** | **7,790** | **40,622,494** | **(21,764,240)** | **18,866,044** |

The accompanying notes form part of the financial statements.

The prior year restatement is detailed in note 1.

# Company statement of changes in equity

At 31 December 2017

| | Equity attributable to the equity shareholder of the Company | | | |
|---|---|---|---|---|
| | Called-up share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
| **At 4 February 2016** | – | – | – | – |
| **Total comprehensive income for the period** | | | | |
| Loss for the financial period | – | – | (179,314) | (179,314) |
| **Transactions with owners recorded directly in equity** | | | | |
| 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 |
| **At 1 January 2017** | **7,782** | **40,621,973** | **(179,314)** | **40,450,441** |
| **Total comprehensive income for the period** | | | | |
| Profit for the financial year | **–** | **–** | **443,368** | **443,368** |
| **Transactions with owners recorded directly in equity** | | | | |
| Issue of shares | **8** | **522** | **–** | **530** |
| **At 31 December 2017** | **7,790** | **40,622,495** | **264,054** | **40,894,339** |

The accompanying notes form part of the financial statements.

# Consolidated cash flow statement

For the year ended 31 December 2017

| | Note | 2017 £ | 2016 Restated £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(11,403,174)** | (10,361,066) |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 4 | **17,882,686** | 13,275,319 |
| Interest payable and similar expenses | 7 | **10,728,616** | 9,457,642 |
| Taxation | 9 | **(735,173)** | (154,088) |
| Increase in trade and other debtors | | **(1,792,215)** | (7,138,305) |
| (Decrease)/Increase in trade and other creditors | | **(350,542)** | 2,305,638 |
| Tax paid | | **300,000** | – |
| **Net cash flows from operating activities** | | **14,630,198** | 7,385,140 |
| **Cash flows from investing activities** | | | |
| Acquisition of a business | 12 | **(5,248,722)** | (12,387,736) |
| Acquisition of a subsidiary | | **–** | (106,343,865) |
| Acquisition of tangible fixed assets | 13 | **(1,739,517)** | (775,206) |
| Cash acquired with subsidiaries | | **–** | 93,329 |
| Deal fees | | **–** | (819,830) |
| Capitalised development expenditure | 11 | **(7,110,565)** | (6,614,705) |
| Management investment | | **–** | 40,372,585 |
| **Net cash flows used in investing activities** | | **(14,098,804)** | (86,475,428) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | 18 | **530** | 257,170 |
| Proceeds from new loan | | **3,600,000** | 69,000,000 |
| Increase in short term banking facilities | 16 | **364,689** | 7,216,294 |
| Interest paid | | **(4,116,314)** | (3,509,659) |
| Repayment of borrowings | | **–** | (15,237,500) |
| (Decrease)/increase in finance lease obligation | | **(336,120)** | 361,922 |
| Debt issue costs | | **–** | (5,398,062) |
| New shareholder loans | | **–** | 70,652,620 |
| Repayment of shareholder loans | | **–** | (43,994,958) |
| **Net cash flows (used in)/from financing activities** | | **(487,215)** | 79,347,827 |
| Net increase in cash and cash equivalents | | **44,179** | 257,539 |
| Cash and cash equivalents at 1 January 2017 | | **257,539** | – |
| **Cash and cash equivalents at 31 December 2017** | | **301,718** | 257,539 |

The prior year restatement is detailed in note 1.

The accompanying notes form part of the financial statements.

# Notes to the financial statements

For the year ended 31 December 2017

## 1. Accounting policies

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

### General information and basis of accounting

CitySprint (UK) Holdings Limited (the 'Company') is a private company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 09987453 and the registered address is Ground Floor, RedCentral, 60 High Street, Redhill, Surrey, RH1 1SH. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 44 .

CitySprint (UK) Holdings Limited (the 'Company') was incorporated on 4 February 2016 in the United Kingdom under Companies Act 2006. Accordingly, the results for the prior period are for the period of 4 February 2016 to 31 December 2016.

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 pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

### Basis of consolidation

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

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

## 1. Accounting policies (continued)

### Prior year restatement

The Directors have identified the following misstatements in the consolidated financial statements for the financial period ended 31 December 2016:

1. Amortisation relating to goodwill and other intangible assets that existed before the management buy-out on 4 February 2016 was incorrectly accounted for on consolidation as only amortisation relating to 2 months was eliminated instead of the amortisation relating to the full 10 months post the management buy-out period. This resulted in amortisation of goodwill and amortisation of other intangible assets recognised in profit and loss being overstated by £1,887,587 and £2,948,114, respectively for the year ended 31 December 2016 and goodwill and other intangible assets being understated by the same amounts, respectively, as at that date.
2. It was identified that one of the Group entities (Last Mile Link Technologies Limited) had been incorrectly charging amortisation on developments costs relating to an asset which was not yet available for use. This resulted in amortisation on other intangible assets recognised in profit and loss being overstated by £759,229 for the year ended 31 December 2016 and intangible assets being understated by the same amount as at that date.

The impact of the above adjustments on profit and loss for the year ended 31 December 2016 and the balance sheet for the year then ended are set out in the table below. There is no impact on the consolidated cash flow statement for the year ended 31 December 2016 and the consolidated balance sheet as at 1 December 2016.

| | As previously reported £ | Adjustment 1 £ | Adjustment 2 £ | Restated £ |
|---|---|---|---|---|
| Amortisation of intangible assets | 9,563,885 | (2,948,114) | (759,229) | 5,856,542 |
| Amortisation of goodwill | 6,143,180 | (1,887,587) | – | 4,255,593 |
| Goodwill (net) | 88,645,015 | 1,887,587 | – | 90,532,602 |
| Intangible assets (net) | 83,960,925 | 2,948,114 | 759,229 | 87,668,268 |
| Profit and loss reserve (loss) | 15,955,996 | (4,835,701) | (759,229) | 10,361,066 |

### 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' reports also describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The 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.

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 currently investing the majority of its cash surplus into its technology company Last Mile Link Technologies Limited. This level of investment is reviewed periodically in line with the Group's banking covenant levels. The level of investment can be easily reduced by management if results are not in line with expectations. This will ensure the Group continues to meet banking covenant requirements over the foreseeable future.

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 16.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 1. Accounting policies (continued)

**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 – Consolidation goodwill**
Goodwill arising from management buyout in 2016 is capitalised as an asset on the balance sheet and amortised on a straight line basis over its useful life of 20 years. Management expect the Company's life to exceed 20 years but feel they could only reliably measure the value over the 20-year period.

**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 lists | 2 – 15 years |
| Brand | 10 years |
| Software | 3 years |
| Technology | 3 years |

**Intangible assets – Research and development**
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 and it is then assessed against the capitalisation criteria under FRS 102 and capitalised only if it meets the criteria. 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.

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

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

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

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

**Financial instruments**
In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## 1. Accounting policies (continued)

## I. Basic financial instruments

**Trade and other debtors/creditors**
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**Interest-bearing borrowings classified as basic financial instruments**
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Investments in preference and ordinary shares**
Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## II. Other financial instruments

**Financial instruments not considered to be Basic financial instruments (Other financial instruments)**
Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

**Derivative financial instruments and hedging**
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

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

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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

Deferred tax is 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 year ended 31 December 2017

## 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 year is appropriate.

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

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

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

**Critical judgements in applying the Group's accounting policies**

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

**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.

**Key source of critical accounting judgement – Useful economic life**

Furthermore, management make a judgement on 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 10.

**Key source of critical accounting judgement – Capitalisation of development costs**

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new or substantially improved products and processes, is capitalised provided benefits are probable, cost can be reliably measured and if 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 and expensed as incurred.

**Key source of critical accounting judgement – 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 – Recognition 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.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 3. Turnover

Turnover, which is stated net of value added tax, 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 before taxation

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 Restated £ |
|---|---|---|
| **Loss before taxation is stated after charging:** | | |
| Depreciation of owned tangible fixed assets | **3,579,622** | 3,163,184 |
| Amortisation of intangible fixed assets | **8,653,997** | 5,856,542 |
| Amortisation of goodwill | **5,649,067** | 4,255,593 |
| Operating lease rentals: | | |
| – Other assets | **2,247,688** | 1,592,979 |
| – Plant and machinery | **431,804** | 279,280 |
| (Gain)/loss on foreign currency transactions | **(18,106)** | 5,725 |

The prior year restatement is detailed in note 1.

**The analysis of auditor's remuneration is as follows:**

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | **20,000** | – |
| 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 | **76,000** | 73,715 |
| **Total audit fees** | **96,000** | 73,715 |
| | | |
| Non-audit fees: | | |
| – Taxation compliance services | **–** | 39,900 |
| – Other non-audit services | **20,600** | – |
| **Total non-audit fees** | **20,600** | 39,900 |

## 5. Staff numbers and costs

| | Year ended 31 December 2017 Group £ | Year ended 31 December 2017 Company £ | 11 month period ended 31 December 2016 Group £ | 11 month period ended 31 December 2016 Company £ |
|---|---|---|---|---|
| **Staff costs during the year:** | | | | |
| Wages and salaries | **24,306,013** | **–** | 18,730,923 | – |
| Social security costs | **2,535,346** | **–** | 1,940,273 | – |
| Pension costs | **240,947** | **–** | 175,663 | – |
| | **27,082,306** | **–** | 20,846,859 | – |

| | Year ended 31 December 2017 Group Number | Year ended 31 December 2017 Company Number | 11 month period ended 31 December 2016 Group Number | 11 month period ended 31 December 2016 Company Number |
|---|---|---|---|---|
| **The average monthly number of employees employed during the year:** | | | | |
| London operations | **207** | **–** | 162 | – |
| Regional operations | **397** | **–** | 365 | – |
| Management and administration | **160** | **–** | 125 | – |
| Sales and marketing | **142** | **–** | 163 | – |
| | **906** | **–** | 815 | – |

CitySprint (UK) Holdings Limited has no employees.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 6. Directors' remuneration and transactions

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| **Directors' remuneration:** | | |
| Emoluments | **660,115** | 480,650 |
| Company contributions to defined contribution pension schemes | **2,754** | 2,000 |
| | **662,869** | 482,650 |

| | Year ended 31 December 2017 Number | 11 month period ended 31 December 2016 Number |
|---|---|---|
| **The number of directors who are:** | | |
| Members of the defined contribution scheme | **2** | 2 |

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| **Remuneration of the highest paid director:** | | |
| Emoluments | **225,716** | 168,348 |
| Company contributions to defined contribution pension schemes | **2,000** | 1,667 |
| | **227,716** | 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. Net finance costs

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| **Interest payable and similar charges** | | |
| Interest on bank loans wholly repayable within six years | **4,175,941** | 3,438,288 |
| Interest on shareholder loans | **6,044,922** | 4,908,905 |
| Finance lease interest | **68,976** | 71,320 |
| Movement in fair value of financial instruments | **–** | 396,451 |
| Amortisation of loan arrangement fees | **771,152** | 642,626 |
| Other bank fees | **–** | 186 |
| | **11,060,991** | 9,457,776 |
| **Interest receivable and similar income** | | |
| Corporation tax interest received | **–** | (134) |
| Movement in fair value of financial instruments | **(332,375)** | – |
| | **(332,375)** | (134) |
| **Net finance costs** | **10,728,616** | 9,457,642 |

Interest on intercompany loans is calculated based on the Group's average cost of borrowing.

## 8. Non-trading items

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| Refinancing and related costs | **656,337** | 2,048,156 |
| Management buyout additional costs | **–** | 548,818 |
| Investor fees | **279,225** | 201,537 |
| Last Mile Link Technologies Limited non-trading costs | **251,126** | 246,513 |
| One-off legal costs | **349,419** | 305,628 |
| | **1,536,107** | 3,350,652 |

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

# Notes to the financial statements continued

For the year ended 31 December 2017

## 9. Tax on loss

**The tax credit comprises:**

| Group | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ |
|---|---|---|
| **Current tax on loss** | | |
| UK Corporation tax on loss for the year | **71,806** | – |
| Adjustments in respect of prior year | **81,856** | – |
| **Total current tax** | **153,662** | – |
| | | |
| **Deferred tax asset** | | |
| Origination and reversal of timing differences | **(1,881,989)** | 360,884 |
| Origination and reversal of timing differences related to the RDEC claim on intangible assets | **911,714** | |
| Intangible asset deferred tax movement | **–** | (514,972) |
| Effect of change in tax rates | **81,440** | – |
| **Total deferred tax** | **(888,835)** | (154,088) |
| **Total tax on loss** | **(735,173)** | (154,088) |

The standard rate of tax applied to reported loss on ordinary activities is 19.25% (2016: 20.00%).

The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. During the year beginning 1 January 2017, 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 loss before tax is as follows:

| | Year ended 31 December 2017 £ | 11 month period ended 31 December 2016 £ Restated |
|---|---|---|
| **Group loss before tax** | **(12,138,347)** | (10,515,154) |
| Tax on Group loss at standard UK corporation tax rate of 19.25% (2016: 20.00%) | **(2,336,632)** | (2,103,031) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **833,676** | 1,907,533 |
| Non deductible shareholder interest | **890,277** | 41,410 |
| Recognition of deferred tax on shareholder interest deductible in future periods | **(295,410)** | – |
| Adjustment to tax charge in respect of prior year for RDEC | **81,856** | – |
| Effect of change in tax rates | **91,060** | – |
| **Group total tax credit for the year** | **(735,173)** | (154,088) |

## 9. Tax on loss (continued)

**Deferred (tax asset)/liabilities**
Deferred tax assets and liabilities are attributable to the following:

| Group | Assets 2017 £ | 2016 £ | Liabilities 2017 £ | 2016 £ | Net 2017 £ | 2016 £ |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | **(1,180,053)** | (1,077,470) | **5,193** | – | **(1,174,860)** | (1,077,470) |
| Arising on business combinations | **–** | – | **13,349,940** | 13,962,113 | **13,349,940** | 13,962,113 |
| Unused tax losses | **(270,901)** | (287,055) | **–** | – | **(270,901)** | (287,055) |
| Other | **(621,240)** | (142,445) | **911,097** | – | **289,857** | (142,445) |
| | **(2,072,194)** | (1,506,970) | **14,266,230** | 13,962,113 | **12,194,036** | 12,455,143 |
| Net tax (assets)/liabilities | **(2,072,194)** | (1,506,970) | **14,266,230** | 13,962,113 | **12,194,036** | 12,455,143 |

| Group | Deferred tax £ |
|---|---|
| Balance as at 1 January 2017 | **12,455,143** |
| Arising during the year | **900,990** |
| Utilised during the year | **61,249** |
| Business combination unwinding | **(1,239,898)** |
| Tax rate change | **16,552** |
| Balance as at 31 December 2017 | **12,194,036** |

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

**Factors that may affect future tax charge**
The Finance 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.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 10. Goodwill

| Group | Total £ |
|---|---|
| **Cost** | |
| At 1 January 2017 - **Restated** | **94,788,195** |
| Additions | **4,355,985** |
| Contingent consideration not paid | **(1,496,989)** |
| **At 31 December 2017** | **97,647,191** |
| **Accumulated amortisation** | |
| At 1 January 2017 - **Restated** | **4,255,593** |
| Charge for the year | **5,649,067** |
| **At 31 December 2017** | **9,904,660** |
| **Net book value** | |
| At 31 December 2017 | **87,742,531** |
| At 31 December 2016 - **Restated** | 90,532,602 |

Goodwill includes £80.4 million on the investment in February 2016 and £7.3 million on other acquisitions.

The prior year restatement is detailed in note 1.

The additions of £4,355,985 are different to the Goodwill arising on acquisition £4,218,442 in note 12 by £137,543. This additional cost related to acquisitions from 2016.

## 11. Intangible fixed assets

| Group | Technology £ | Customer relationships £ | Software £ | Brand £ | Total £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2017 - **Restated** | 6,614,705 | 60,550,275 | 659,830 | 25,700,000 | 93,524,810 |
| Acquisitions through business combinations | – | 3,006,428 | – | – | 3,006,428 |
| Other acquisitions - internally developed | 7,110,565 | – | – | – | 7,110,565 |
| Other acquisitions - externally purchased | – | – | 29,727 | – | 29,727 |
| **At 31 December 2017** | 13,725,270 | 63,556,703 | 689,557 | 25,700,000 | 103,671,530 |
| **Accumulated amortisation** | | | | | |
| At 1 January 2017 - **Restated** | 105,457 | 3,556,633 | 52,786 | 2,141,666 | 5,856,542 |
| Charge for the year | 283,638 | 5,192,459 | 607,900 | 2,570,000 | 8,653,997 |
| At 31 December 2017 | 389,095 | 8,749,092 | 660,686 | 4,711,666 | 14,510,539 |
| **Net book value** | | | | | |
| At 31 December 2017 | 13,336,175 | 54,807,611 | 28,871 | 20,988,334 | 89,160,991 |
| At 31 December 2016 - **Restated** | 6,509,248 | 56,993,642 | 607,044 | 23,558,334 | 87,668,268 |

Customer relationships includes £48.2 million on the investment in February 2016 and £6.6 million on other acquisitions.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

The prior year restatement is detailed in note 1.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 12. Business combinations

The Group acquired three businesses during the period for a total consideration of £6,653,649 of which £1,404,927 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, £3,006,428 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.

The most significant acquisition was Transworld Global Express Limited and its subsidiary Transworld Global Courier Limited. In the period ended 31 December 2017 this business contributed turnover of £3,578,023 and a profit before tax of £91,528 to the consolidated net profit for the period.

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

| | Book value £ | Provisional fair value adjustment £ | Fair value £ |
|---|---|---|---|
| Intangible assets | – | 3,006,428 | 3,006,428 |
| Deferred tax liability | – | (571,221) | (571,221) |
| Net assets | – | 2,435,207 | 2,435,207 |
| Goodwill arising on acquisition | | | 4,218,442 |
| Total consideration | | | 6,653,649 |

Of the total consideration £6,653,649, £5,248,722 was paid in the year and the balance of £1,404,927 is in respect of contingent consideration. This is included in creditors in note 16. Intangible assets comprise customer relationships acquired through the business combination.

### Acquisitions in prior period

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.

## 13. Tangible fixed assets

| Group | Short leasehold improvements £ | Computer equipment £ | Fixtures and fittings £ | Other equipment £ | Mobile devices £ | Total £ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2017 | **1,089,179** | **7,703,065** | **470,836** | **263,395** | **1,587,386** | **11,113,861** |
| Additions | **196,356** | **1,043,761** | **110,876** | **388,524** | **–** | **1,739,517** |
| At 31 December 2017 | **1,285,535** | **8,746,826** | **581,712** | **651,919** | **1,587,386** | **12,853,378** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2017 | **170,028** | **2,540,066** | **128,592** | **42,264** | **282,234** | **3,163,184** |
| Charge for the year | **272,067** | **2,711,380** | **149,016** | **95,497** | **351,662** | **3,579,622** |
| At 31 December 2017 | **442,095** | **5,251,446** | **277,608** | **137,761** | **633,896** | **6,742,806** |
| **Net book value** | | | | | | |
| At 31 December 2017 | **843,440** | **3,495,380** | **304,104** | **514,158** | **953,490** | **6,110,572** |
| 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.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 14. Investments

| Company | Subsidiary undertakings £ |
|---|---|
| At 1 January 2017 | 1 |
| Additions in the year | – |
| At 31 December 2017 | 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 as follows:

**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) 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 Courier and Passenger Transport Group Limited | Ordinary shares | 100% | Holding company | UK |
| The Courier and Passenger Transport Holdings Limited | Ordinary shares | 100% | Holding company | UK |
| CitySprint (UK) Group Limited | Ordinary shares | 100% | Holding company | UK |
| Transworld Global Express Limited | Ordinary shares | 100% | Holding company | UK |
| Transworld Global Courier 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.

## 15. Debtors

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade debtors | **31,078,591** | **–** | 30,705,353 | – |
| Prepayments | **2,187,443** | **–** | 1,768,183 | – |
| Accrued income | **1,259,979** | **–** | 276,565 | – |
| Other debtors | **989,534** | **–** | 45,258 | – |
| | **35,515,547** | **–** | 32,795,359 | – |
| **Amounts falling due after more than one year:** | | | | |
| Amounts due from subsidiary undertakings | **–** | **121,963,881** | – | 116,011,188 |
| Deferred tax | **2,072,194** | **536,831** | 1,506,970 | – |
| | **2,072,194** | **122,500,712** | 1,506,970 | 116,011,188 |
| | | | | |
| Total debtors | **37,587,741** | **122,500,712** | 34,302,329 | 116,011,188 |

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.

Amounts due to parent and subsidiary undertakings are charged at an interest rate of 5.29%. The intercompany loan balance is not legally due within 12 months.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 16. Creditors

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Bank loans | **16,949,284** | **–** | 16,584,595 | – |
| Trade creditors | **7,027,673** | **–** | 5,998,034 | – |
| Derivative financial instrument | **142,126** | **–** | 474,501 | – |
| Other taxation and social security | **5,103,648** | **–** | 4,431,549 | – |
| Driver pay | **3,522,760** | **–** | 3,505,216 | – |
| Contingent consideration | **1,763,218** | **–** | 2,532,600 | – |
| Finance lease obligation | **357,536** | **–** | 336,120 | – |
| Accruals | **2,070,860** | **–** | 1,842,363 | – |
| | **36,937,105** | **–** | 35,704,978 | – |

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Amounts falling after more than one year:** | | | | |
| Shareholder loans and accrued interest | **81,606,447** | **81,606,447** | 75,561,525 | 75,561,525 |
| Bank loans | **68,615,717** | **–** | 64,244,565 | – |
| Deferred tax | **14,266,230** | **–** | 13,962,113 | – |
| Finance lease obligation | **612,010** | **–** | 969,546 | – |
| | **165,100,404** | **81,606,447** | 154,737,749 | 75,561,525 |

### Analysis of obligations under finance leases

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Finance leases:** | | | | |
| Between one and two years | **380,321** | **–** | 357,536 | – |
| Between two and five years | **231,689** | **–** | 612,010 | – |
| | **612,010** | **–** | 969,546 | – |
| On demand or within one year | **357,536** | **–** | 336,120 | – |
| | **969,546** | **–** | 1,305,666 | – |

## 16. Creditors (continued)

### Analysis of finance lease cash payable

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Finance leases:** | | | | |
| Between one and two years | **405,096** | **–** | 405,096 | – |
| Between two and five years | **237,326** | **–** | 642,423 | – |
| | **642,422** | **–** | 1,047,519 | – |
| On demand or within one year | **405,096** | **–** | 405,096 | – |
| | **1,047,518** | **–** | 1,452,615 | – |

### Bank loans and shareholder loans

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Wholly repayable within 6 years:** | | | | |
| Shareholder loans and accrued interest | **81,606,447** | **81,606,447** | 75,561,525 | 75,561,525 |
| | **81,606,447** | **81,606,447** | 75,561,525 | 75,561,525 |
| Term loan facility | **72,600,000** | **–** | 69,000,000 | – |
| **Less:** Unamortised loan arrangement fees | **(3,984,283)** | **–** | (4,755,435) | – |
| | **68,615,717** | **–** | 64,244,565 | – |
| Receivables finance facility | **16,949,284** | **–** | 16,584,595 | – |
| | **85,565,001** | **–** | 80,829,160 | – |

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 loan 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 2017 is £10,953,827.

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 2017 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 has a fixed Term Loan A for £62.5 million (2016:£62.5 million) which is repayable in one instalment on 18 February 2023. Interest is charged at LIBOR plus 4.5% which is paid quarterly.

The Group also has a loan facility B for up to £12.0 million (2016:£12.0 million) which is repayable in eight equal semi-annual instalments commencing 6 months after 3 years from the commencement date (18 February 2016). Interest is charged at LIBOR plus 4.0% which is paid quarterly. £10.1 million of this loan was utilised by 31 December 2017 (2016:£6.5 million). The loan arrangement fees amortise over the same period as the 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.

# Notes to the financial statements continued

For the year ended 31 December 2017

## 16. Creditors (continued)

Borrowings are repayable as follows:

| | Group 2017 £ | Company 2017 £ | Group 2016 £ | Company 2016 £ |
|---|---|---|---|---|
| **Total borrowings including finance leases** | | | | |
| Between one and two years | **380,321** | **–** | 357,536 | – |
| Between two and five years | **231,689** | **–** | 612,010 | – |
| More than five years | **150,222,164** | **81,606,447** | 139,806,090 | 75,561,525 |
| On demand or within one year | **17,306,820** | **–** | 16,920,715 | – |
| | **168,140,994** | **81,606,447** | 157,696,351 | 75,561,525 |

## 17. Financial instruments

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| **Financial assets** | | | | |
| Measured at undiscounted amount receivable | | | | |
| • Trade debtors (see note 15) | **31,078,591** | 30,705,353 | **–** | – |
| • Other debtors (see note 15) | **989,534** | 45,258 | **–** | – |
| • Accrued income (see note 15) | **1,259,979** | 276,565 | **–** | – |
| Measured at amortised cost | | | | |
| Amounts due from subsidiary undertakings | **–** | – | **121,963,881** | 116,011,188 |
| | **33,328,104** | 31,027,176 | **121,963,881** | 116,011,188 |

## 17. Financial instruments (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>£ | 2016<br>£ | 2017<br>£ | 2016<br>£ |
| **Financial liabilities** | | | | |
| Measured at fair value through the profit or loss | | | | |
| • Derivative financial liabilities (see note 16) | **142,126** | 474,501 | **–** | – |
| Measured at amortised cost | | | | |
| • Obligations under finance leases (see note 16) | **969,546** | 1,305,666 | **–** | – |
| • Bank loans (see note 16) | **89,549,284** | 85,584,595 | **–** | – |
| • Loans payable (see note 16) | **81,606,447** | 75,561,525 | **81,606,447** | 75,561,525 |
| Measured at undiscounted amount payable | | | | |
| • Trade creditors (see note 16) | **7,027,673** | 5,998,034 | **–** | – |
| • Corporation tax payable (see note 16) | **–** | – | **–** | – |
| • Other taxation and social security (see note 16) | **5,103,648** | 4,431,549 | **–** | – |
| • Driver pay (see note 16) | **3,522,760** | 3,505,216 | **–** | – |
| • Contingent consideration (see note 16) | **1,763,218** | 2,532,600 | **–** | – |
| • Accruals (see note 16) | **2,070,860** | 1,842,363 | **–** | – |
| | **191,755,562** | 181,236,049 | **81,606,447** | 75,561,525 |

**Derivative financial instruments**
The fair value of interest rate swaps is based on the quote provided by the lender. Fair value gain/(loss) on derivative financial instruments represents the year on year increase/(decrease) in the present value of expected net cash inflow/(outflow) in interest rate derivative contracts. These quotes are tested for reasonableness by management on a periodic basis.

**Interest rate swaps**
Interest rate swaps are maintained by the Group to hedge against its exposure to cash flow interest rate risk on variable rate borrowings.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>£ | 2016<br>£ | 2017<br>£ | 2016<br>£ |
| **Finance income and expense** | | | | |
| Total interest expense for financial liabilities at amortised cost | **(10,728,616)** | (9,457,642) | **(82,450)** | (10,676) |
| **Fair value gains and losses** | | | | |
| On derivative financial liabilities | **(332,375)** | 396,451 | **–** | – |

# Notes to the financial statements continued

For the year ended 31 December 2017

## 18. Called up share capital and reserves

| | | 2017 £ | 2016 £ |
|---|---|---|---|
| **Allotted, called up and fully paid:** | | | |
| 163,252 (2016: 163,252) | Ordinary A1 shares of £0.005 each | **816** | 816 |
| 163,252 (2016: 163,252) | Ordinary A2 shares of £0.005 each | **816** | 816 |
| 86,748 (2016: 86,748) | Ordinary B1 shares of £0.005 each | **434** | 434 |
| 86,748 (2016: 86,748) | Ordinary B2 shares of £0.005 each | **434** | 434 |
| 45,000 (2016: 45,000) | Ordinary C1 shares of £0.100 each | **4,500** | 4,500 |
| 132,751 (2016: 132,751) | Ordinary C2 shares of £0.001 each | **133** | 133 |
| 5,000 (2016: 5,000) | Ordinary D1 shares of £0.100 each | **500** | 500 |
| 60,044 (2016: 56,544) | Ordinary D2 shares of £0.001 each | **60** | 56 |
| 2,450 (2016: 950) | Ordinary E shares of £0.001 each | **2** | 1 |
| 95,100 (2016: 92,100) | Ordinary F shares of £0.001 each | **95** | 92 |
| | | **7,790** | 7,782 |

| | Ordinary shares Number of shares |
|---|---|
| On issue at 1 January 2017 | **832,345** |
| Issued for cash | **8,000** |
| On issue at 31 December 2017- Fully paid | **840,345** |

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[1]:

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[2]:

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[3]:

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% of 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 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

1. The first Hurdle is £40,400,000.
2. The second Hurdle is £80,800,000.
3. 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.

## 19. Financial commitments

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating as follows:

| Group | 2017 Land and buildings £ | 2017 Other equipment £ | 2016 Land and buildings £ | 2016 Other equipment £ |
|---|---|---|---|---|
| **Operating leases which expire:** | | | | |
| Within one year | **2,209,075** | **350,658** | 1,892,570 | 301,296 |
| Between two and five years | **3,333,756** | **247,056** | 1,392,171 | 388,765 |
| Over five years | **730,788** | **–** | 2,350 | – |
| | **6,273,619** | **597,714** | 3,287,091 | 690,061 |

The Group has contracted but not provided for capital expenditure of £1,678,738 (2016: £1,824,000) to be incurred in the next accounting year.

During the year £2,679,491 was recognised as an expense in the profit and loss in respect of operating leases.

## 20. Related party transactions

CitySprint (UK) Holdings Limited Group had related party transactions of £201,008 representing turnover in connection with its private equity shareholders. Of the amount stated £91,624 was outstanding in trade debtors at the year end.

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 16.

### Directors' transactions

There were no transactions between the Company and its directors other than those stated in the directors remuneration note 6. The directors are considered to be key management personnel.

### Other related party transactions

There were no transactions between the Company and its senior managers other than those stated in the staff costs note 5.

## 21. 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 £240,947 (2016: £175,663). Contributions totalling £54,402 (2016: £46,684) were payable to the fund at the year end and are included in creditors.

## 22. Cross guarantees

The Company is part of a VAT group and therefore as a whole the Group has a liability for the VAT creditor at the end of the year in a fellow subsidiary of £4,267,172 (2016: £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 ultimate parent on behalf of its subsidiaries. The maximum amount available to the entire Group under this facility is £96,500,000 (2016: £96,500,000) and the amount outstanding at the balance sheet date was £89,549,284 (2016: £85,584,595). Of this amount outstanding, £nil (2016: £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.

## 23. Ultimate controlling party

As at 18 February 2016 LDC V LP have significant control over the company as a result of controlling, directly or indirectly, 30% of the issued share capital of the Company. Management do not consider there to be an individual controlling party of CitySprint (UK) Holdings Limited.

## 24. Subsequent events

There have been no subsequent events to report.

# Company information

## Officers and professional advisors

**Directors**

| | |
|---|---|
| D J R Burtenshaw | (Chairman) |
| P A Gallagher | (Chief Executive) |
| N D S Hoare | |
| G A M Keenan | |
| A Lyndon | |
| N Meissner | (resigned 12 May 2017) |

**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 Bishopsgate
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**
KPMG LLP
Chartered Accountants and Statutory Auditors
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

**CitySprint Group**
Ground Floor
RedCentral
60 High Street
Redhill
Surrey
RH1 1SH

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