Whistl Group Holdings Limited

Annual Report 2018

whistl

Mail

Parcels

Fulfilment

International

Doordrop Media

Whistl Group Holdings Limited
Annual report and consolidated financial statements
for the year ended 31 December 2018

Registered number: 9779561 (England and Wales)

Strategic Report

Financials

2018 Highlights

£616.3m Revenue

Encouraging trading saw revenue increase by £13.3m to £616.3m (2017: £603m) including strong gains in growth areas of Parcels, International and Fulfilment, underpinned by stable performance in core Downstream Access.

£20.7m Net assets

The Group is in a strong financial position with net assets rising from £16.2m to £20.7m and cash reserves increasing to £40.7m (2017: £37.1m). Cash inflow from operating activities grew to £22.2m (2017: £19.9m).

£7.2m Capital expenditure

Overall capital expenditure rose 65%, adding growth capacity and improving efficiency.

£1.5m Dividend

For a second consecutive year, reflecting strong business and cash performance.

£36m Bank facility

Our substantial, fully-committed bank facility remains unutilised.

Our ambitious investment programme continued with the development of a new purpose-built super depot in Bedford, to operate in tandem with our recently-opened Bolton super depot.

New parcel sortation systems were implemented at Bolton (2018) and Bedford (Q1, 2019).

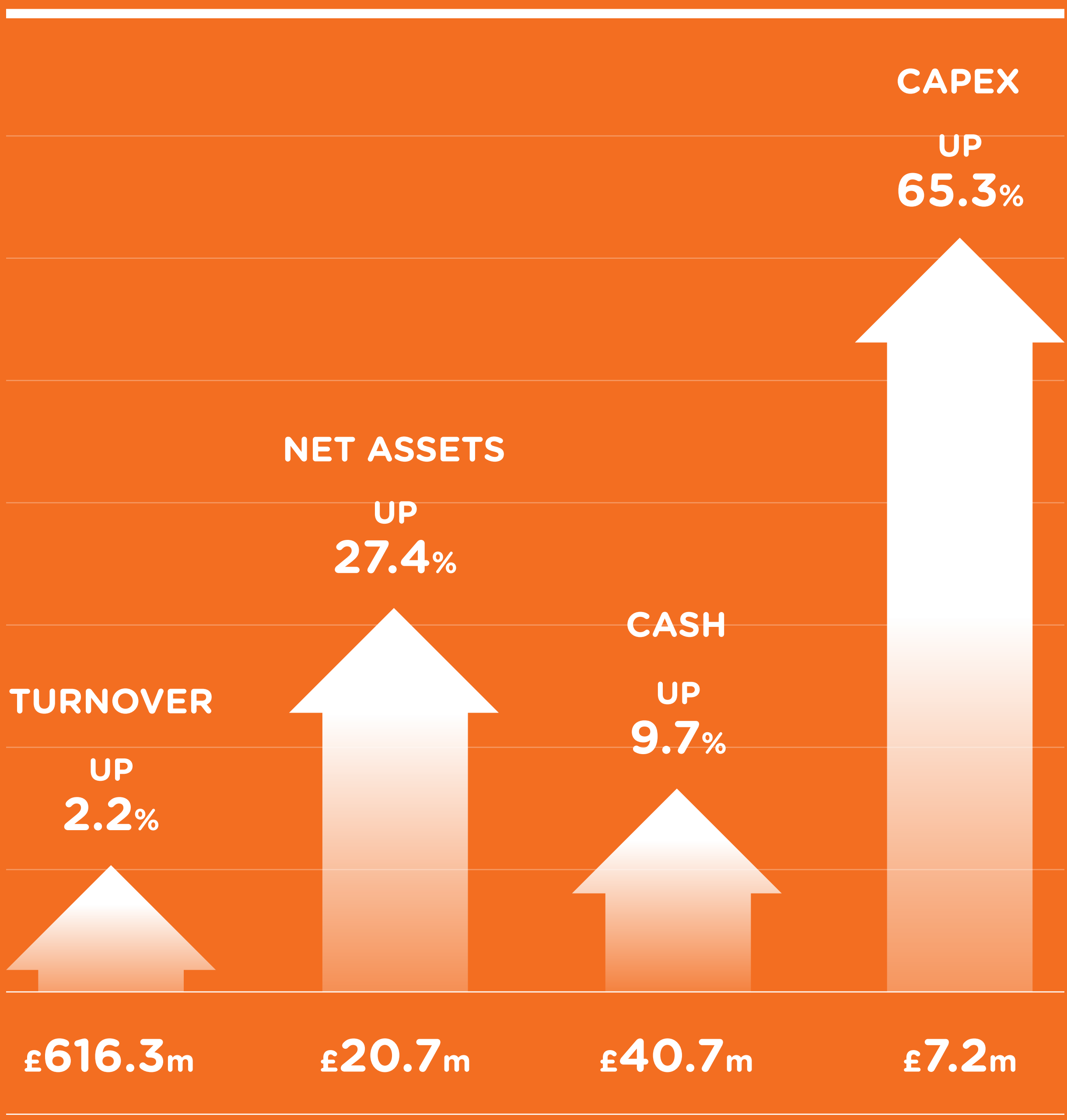
Two significant acquisitions saw Parcelhub (Parcels) and Spark Ecommerce Group (Fulfilment & Contact Centre) join the Group – expanding our growing presence in the e-commerce market and broadening the range of services we can offer customers.

Financial Highlights

Highlights for the year ended 31 December 2018

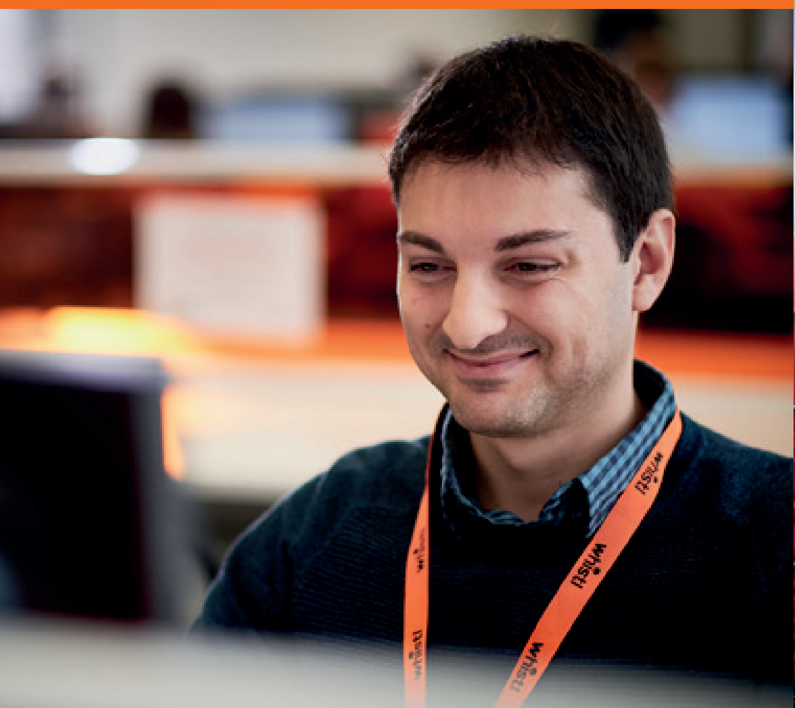
	2018 £'000	2017 £'000
Turnover	616,349	602,984
Administrative expenses[1]	(27,616)	(26,846)
Underlying EBITDA[2]	10,999	11,609
Net assets	20,699	16,248
Cash at bank and in hand	40,698	37,103
Net cash from operating activities	22,238	19,857
Capital expenditure	7,166	4,335
Dividends paid[3]	1,500	1,500

[1] Excludes exceptional items.
[2] Underlying EBITDA represents underlying operating profit adjusted for the depreciation and amortisation charge for the year.
[3] The Board approved a dividend of 30.57p per share on 18 December 2018, which was paid on 22 January 2019.


CAPEX
UP
65.3%
NET ASSETS
UP
27.4%
CASH
UP
9.7%
TURNOVER
UP
2.2%
£616.3m
£20.7m
£40.7m
£7.2m

Our Mission

To grow by doing a great job, with can-do people working efficiently to deliver exceptional service.



Our Promise

Quality first
Reliability, dependability and a quality service – central to everything we do for you.

Easy to work with
We work hard at making sure it's easy for you to use us, to get hold of us and to get on with us.

Thinking of you
Before we think, speak or act, we put ourselves in your shoes and do what's right for you and your business.

The human touch
Expect happy and helpful, willing and able. Can-do is in our DNA.

The right thing
We're open and honest, straight and clear – doing the right thing.

CEO Business Review

Nick Wells
Chief Executive Officer

Three years ago, following the management buyout of the Group, we set ourselves a number of strategic aims, and I am pleased to report that at the end of 2018, we have achieved all of them.

We have created a stable and growing business, having diversified from our core Downstream Access mail (DSA) by offering and embracing the greater margin and higher value sectors of Parcels and Fulfilment.

Following our strategic aims, Whistl has developed into an integrated delivery, fulfilment and advertising solutions business, helping customers grow their businesses both in the UK and internationally.

We now handle nearly one third of all items posted in the UK and have achieved our market position through organic growth and acquisition.

By continually investing in our infrastructure and talent, we ensure we always provide our customers with the highest quality and most cost-efficient service, based upon a bespoke customer care approach.

In 2018 we:

- *Continued to be the leading Downstream Access operator in the UK*
- *Secured awards for our unique doordrop media advertising solution*
- *Built a solid fulfilment business through continued growth of our existing fulfilment business, and strategic acquisition*
- *Increased significantly the parcel processing capacity in our Bolton super depot with the addition of a parcel sortation machine*
- *Began offering seamless multi-carrier integration for e-fulfilment businesses through our acquisition of Parcelhub*
- *Acquired the award-winning inbound and outbound customer services and order fulfilment company, Spark Ecommerce Group*

Our success is built upon the entrepreneurial 'can do spirit' of our employees and we have enjoyed welcoming new colleagues from Parcelhub and the Spark Ecommerce Group into the growing Whistl family.

OUR MARKETS

Downstream Access mail

Downstream Access is our core business and we continue to invest in our infrastructure and talent to ensure we retain our market-leading position in bulk mail collection and sortation.

The latest postal market report from Ofcom* details a 5% decline in addressed letter volumes to 11.1bn items in 2017-18, with access mail accounting for 63% of total addressed letters in this period, up from 61% in 2016-17.

Overall access volumes experienced a small 1% volume fall in the year, yet volumes have remained remarkably stable over the past five years at around 7bn items.

Royal Mail continues to increase wholesale prices to compensate for their lack of progress in meeting cost saving measures in their own network and we have no choice but to pass these increases on to our posting customers. We continue to express our concerns to Ofcom about the impact of price increases on mail volumes and continue to advocate for efficiency targets to be set for Royal Mail.

The upstream element of the postage price remains fiercely competitive but our investments leave us well placed to offer our clients market-leading value for money.

Whistl continues to outperform competitors in this market despite challenges from e-substitution of bills and statements and from the introduction in May of GDPR which Royal Mail claimed had the biggest impact on its letter performance in 2018. Marketing mail accounts for a significant component of bulk mail and 27% of Royal Mail's UKPIL letters volume, according to Ofcom.

An industry initiative, JICMAIL, was launched in January 2018 to measure the impact of advertising mail in the UK and how consumers engage with it. It is an important step forward in giving advertisers additional data on the effectiveness of direct mail advertising and an initiative we have supported as a member of JICMAIL both with financing and resource.

During 2018, Whistl worked closely with Royal Mail to develop the new Partially Addressed Mail solution and with our pedigree in geodemographic targeting, we are uniquely placed to bring this GDPR compliant product to market.

Operationally we continued to see the benefits of consolidating our Northern depots into our Bolton super depot, and work began to consolidate our Iver and Rugby depots in a new super depot in Bedford, providing process efficiency and a better working environment for our colleagues.

Whistl is committed to look at ways of opening up DSA to enable more companies to benefit from the cost savings this can provide. In April, as part of this strategy, we joined forces with Imprimus (recently acquired by Paragon) to create Cornwall Collects, a new mail and parcel collection and consolidation service for small businesses in Cornwall.

Doordrop Media

Doordrop Media is the market leader in both audience targeting and delivery management of leaflet services, and once again had a solid performance in 2018.

As part of our strategy of helping businesses to grow, we launched Leafletdrop, a new low-cost self-service digital platform aimed at the SME market where business owners can launch local doordrop campaigns. So far, four million leaflets have been sent via this service.

We celebrated a double win at this year's COGS awards; in the Direct Marketing category for client P&O Cruises and for Leafletdrop in the Innovation category.

At the beginning of the year we had to restructure our home delivery network as a large customer, IKEA, changed its marketing strategy from letter box delivery of its famous catalogue to focusing on alternative advertising.

* Ofcom Annual monitoring update on the postal market financial year 2017-18

We are becoming an integrated and integral part of our customers' businesses and becoming key to their operational success.

Parcels
Ofcom reported an increase in the overall parcels market of 5% in real terms to £9.4bn leading to a fall in average unit revenue to £3.98. Domestic parcels accounted for 81% of total market volumes and 63% of total revenues.

We continue to perform strongly in the parcel arena, introducing new parcel sortation technology into our existing DSA infrastructure. In Bolton we commissioned a new 100 metre cross-belt loop sorter in time for peak, and to meet the increasing demand from e-fulfilment customers to process both sorted and unsorted packets and parcels in, increasingly short timescales.

Through the acquisition of Parcelhub we are investing in carrier management systems that enable us to provide customers with access to a one-stop-shop multi-carrier solution to meet all of their parcel management requirements.

By integrating the Parcelhub carrier management system into our wider current and future customer portfolio, we are becoming an integrated and integral part, of our customers' businesses and becoming key to their operational success.

International
One of our key growth areas is in the international import and export of tracked and untracked mail and parcels. Building upon our current expertise in the UK market, we can now handle worldwide distribution of items ranging from a 10g letter to a 30kg parcel. In 2018 we handled items for a diverse range of brands including Barclays, Music Magpie and QVC.

Again, according to Ofcom,* international inbound parcel volumes reached 284m in 2017-18, an increase of 30% on the previous year and representing 15% of total parcel revenues. The international outbound parcel volume increased by 5% to 175m items and represented 23% of total parcel revenues.

We have established an opportunity to simplify the current market offer to customers by becoming a one-stop-shop for the broadest range of services anywhere in the world, whether it's letters, large letters, packets or parcels. We now give access to multiple suppliers and products, cost-effectively through a single IT integration.

Fulfilment
The e-fulfilment market is expected to grow to more than £13bn by 2021 and, according to the ONS, online sales made up 16.3% of total retail sales, up from 14.7% in 2016 and 12.5% in the previous year.

We see an opportunity to engage with small to mid-sized customers who do not want to insource fulfilment yet want access to a quality service with the capacity and capability of a seamless IT integration and a scalable carrier management solution.

To enable us to realise our potential in the market we have acquired established operators in the sector where we believe we can add value to their current customers and cross-sell their services to our existing customer portfolio.

In 2017 we acquired Prism DM, rebranding it as Whistl Fulfilment in 2018. Over the year it performed strongly and doubled its turnover. We have invested in the operations and business development teams to facilitate future growth, and further expanded the Rushden depot by an additional 50,000 sq feet of new space for customers such as Brand Alley and Sports Pursuit.

Towards the end of the year we acquired Gateshead-based Spark Ecommerce Group, recognised for its award-winning inbound and outbound customer services proposition, alongside its comprehensive order fulfilment operation. The company has worked with some of the UK's most recognisable online brands and retailers, most recently including WW (formerly Weight Watchers), FitFlop, Micro Scooters, Shark Ninja and PGA European Tour.

Our investment in the fulfilment sector will add more volume to our parcels business both in the UK and internationally, and helps evolve the customer relationship, to a service that has senior management buy-in, which is integral to their business success.

* Ofcom Annual monitoring update on the postal market financial year 2017-18

Our customers
In a survey from Ofcom,* SMEs found that competitors to Royal Mail provided a better level of service, 88% compared to 85% which reflects our commitment to put the customer first.

In 2018 we renewed E.ON and Barclays and regained QVC as a client who were impressed by the quality of service we can provide through our Bolton super depot compared to others in the market.

Our 2018 Customer Survey which included all areas of the Group, with the exception of our new acquisitions Parcelhub and Spark Ecommerce Group, reported an NPS score of 27. Account Management and Customer Service were areas where we continue to excel. For comparison, for customers who responded in both 2017 and 2018 customer satisfaction was 90% in 2018, (2017: 89%) and NPS 46 (2017 NPS 33).

Due to our size and scale, through our multi-carrier broker model we are ourselves major customers of recognised delivery brands including Royal Mail, Yodel and Hermes, enabling us to secure the best prices for our customers.

Our people
We have strengthened the leadership team with two new appointments. Alistair Cochrane, former MD of TNT Express and ex-Parcelforce, joined us as Development Director, and we also welcomed Fabiola Sharratt from the Hut Group as Operations Director. We have also invested in leadership and business development talent throughout the Group including Fulfilment and Parcelhub.

With the recent acquisitions, we now have a workforce of 1,977 in our sites across the UK, on the road and in regional and head offices - providing exceptional customer service for clients. We are committed to investing in talent in all parts of the business with our LEAP development programme and apprenticeships.

Regulation
Whistl operates in a regulated market with Ofcom as the Postal Sector regulator.

Whistl and other DSA operators enjoy regulatory protection from potential abusive behaviour from Royal Mail. For example, during last year Ofcom found Royal Mail had abused its dominant position by discriminating against Whistl as its only major competitor and, as a consequence, fined them £50,000,000. Royal Mail has subsequently appealed the decision and we have an active involvement in this case and will continue to review our options accordingly.

Ofcom look for opportunities to ensure that Royal Mail activities are fit for purpose and have recently consulted on a range of issues including a study on cost allocation processes between letters and parcels (to ensure that there is no inappropriate cross subsidy) and some further work on margin squeeze protection.

Royal Mail have also recently consulted on the process by which Whistl and others can ask for access to their networks for new services.

Whistl ensures that it has monthly dialogue and engagement with Ofcom, Royal Mail, and the Mail Competition Forum and quarterly engagement with Department of Business, Energy, Industry and Strategy (BEIS) and Wholesale Access Group to ensure that its own views on regulatory and market developments are heard and help shape the market.

Outlook
We have transformed the business in three years into a diversified Group delivering higher margins. The transformation is now complete and the infrastructure is in place for us to operate efficiently in our core business and accelerate our value in growth areas. We go into 2019 with 55% of gross profit contribution coming from services outside of mail and we look to continue with this strategy.

Whistl is now able to provide customers with a one-stop solution for their fulfilment and carrier management needs which will allow us to take advantage of the growing ecommerce market both in the UK and internationally.

Through the integrated Group we can cross-sell services and build long term relationships with customers as we become integral to their business activities and future success.

We have an excellent leadership team at all levels of the Group and all our colleagues are committed to providing best-in-class service for our customers.

Nick Wells
CEO

29 March 2019

* Ofcom Annual monitoring update on the postal market financial year 2017-18

CFO Financial Review

Manoj Parmar
Chief Financial Officer

With the acquisitions of Parcelhub and Spark Ecommerce Group, we have completed our post-MBO transformation into a multi-service delivery management business. Parcelhub augments our capability in parcels, whilst Spark solidifies our position in mid-market e-commerce fulfilment and contact centre services.

These acquisitions, together with an ambitious capital expenditure programme, help secure the long-term future of Whistl and represent an investment of £18.0m, fully-funded from strong in-year operational cash flows.

Investment in fixed assets
We capitalised £7.2m of targeted investments in tangible fixed assets and software to develop growth areas, maintain leading operational quality and drive efficiency. This represented an increase of 65% compared with 2017.

The highlight of our investment programme was commissioning the new parcel sortation system in Bolton, which broadens our service offering whilst also adding processing capacity and driving further efficiencies.

Building upon the success of our super depot at Bolton, during 2018 the Group invested in a second super depot in Bedford which will improve operational efficiency and provide greater capacity for future expansion. In addition a second parcel sortation machine is undergoing construction at this new site to optimise processing capacity and improve customer offering. These significant investments which have been deployed in the network in March 2019, will secure the long term future of the mail business and allow the infrastructure to be leveraged for the new growth areas.

The Group has also invested in a commercial vehicle system which incorporates cameras and recording systems to improve fleet safety, and similarly invested a significant amount in expanding the Rushden site to accommodate rapid customer growth.

Investment in subsidiaries
A net £10.4m of cash was spent on acquiring subsidiary undertakings during 2018 (2017: £1.4m).

During the year the Group acquired Parcelhub, a specialist parcel consolidator with outstanding IT systems providing proactive customer service, mainly for the e-commerce market.

At the end of 2018 the Group purchased Spark Ecommerce Group, an award-winning fulfilment, customer service and contact centre operation.

Revenue

Segment	2018 £m	2017 £m	Change £m	% Var
Downstream Access Mail	**432.5**	446.9	(14.4)	-3.2%
Parcels & International	**114.0**	91.7	22.3	24.3%
Fulfilment	**17.1**	6.0	11.1	185.0%
Doordrop Media	**52.7**	58.4	(5.7)	-9.8%
Group	**616.3**	603.0	13.3	2.2%

Underlying operating profit[1]

Segment	2018 £m	2017 £m	Change £m
Mail, Parcels & International	**8.0**	9.2	(1.2)
Fulfilment	**0.5**	0.2	0.3
Doordrop Media	**0.5**	1.1	(0.6)
Group	**9.0**	10.5	(1.5)

Underlying EBITDA[2]

	2018 £m	2017 £m	Change £m
Underlying operating profit[2]	**9.0**	10.5	(1.5)
Goodwill amortisation	**(1.3)**	(2.3)	1.0
Intangible asset amortisation	**1.5**	2.0	(0.5)
Tangible asset depreciation	**1.8**	1.7	0.1
Fixed asset impairment charge	**-**	0.2	(0.2)
Fixed asset impairment reversal	**-**	(0.5)	0.5
Group	**11.0**	11.6	(0.6)

Capex

	2018 £m	2017 £m	Change £m
Growth	**5.6**	3.1	2.5
Maintenance	**1.6**	1.2	0.4
Group	**7.2**	4.3	2.9

[1] Underlying operating profit represents earnings before interest, tax and exceptional items
[2] Underlying EBITDA represents underlying operating profit adjusted for the depreciation and amortisation charge for the year.

Financial position
We maintain a strong balance sheet and credit rating in order to give the Group financial flexibility to invest and grow.

Shareholders' equity increased by £4.5m to £20.7m (2017: £16.2m) due to retained earnings while net cash increased by £3.6m to £40.7m (2017: £37.1m), supported by strong cash management.

In addition to cash reserves, the Group can draw on a fully committed facility provide by Royal Bank of Scotland (RBS) totalling £65m which is divided into a credit and working capital facility of £36m and a supplier guarantee facility of £29m.

The credit and working capital facility remained unutilised during the year.

PERFORMANCE

Downstream Access and Parcels
Our robust performance in Mail and the stability of the wider DSA market demonstrates Whistl's success at retaining and acquiring customers and the continuing power of the postal medium in the communication mix. The overall reduction in revenue mainly reflects a combination of rate increases offset by a change in mail product mix together with a small reduction in volumes.

Progress in Parcels and International services demonstrates the success of our continuing strategy to grow our presence in these markets, evidenced by continued investment in new product development and the acquisition of Parcelhub. We have integrated new carriers and have developed new tracked and untracked economy and premium services which reach more destinations and work across multiple formats.

The DSA and Parcels market continues to be very competitive, which together with the return of inflationary pressure in the cost base has impacted profitability in 2018. The annual increase in the consumer price index was 2% in December 2018. Whistl's costs in particular were impacted by increases in the National Living Wage and fuel prices.

Whistl's efficient network, continuing investments, leadership in the DSA market segment and strong financial position make us well placed to respond to competitive pressure. In particular, whilst incurring start-up costs in the short term, our investments in the Bolton and Bedford super depots, including parcel sortation systems for both, will ensure we retain our place as the most efficient and competitive operator in our market.

Doordrop Media
Revenue for the year was £52.7m (2017: £58.4m), representing a decrease of 9.8% mainly due to IKEA now focusing on alternative advertising. Political and economic uncertainty, plus a trend towards digital media, also had an impact. In spite of this, the business continues to outperform the market. Underlying trends were positive with growth of the customer base, strong customer retention and market share gains from competitors.

Fulfilment
Revenue for the year was £17.1m and operating profit was £0.5m. In 2018, the fulfilment business performed strongly and doubled its turnover. We invested in operations with the expansion of the Rushden depot and also in business development teams to facilitate future growth. In addition the Group acquired Spark Ecommerce Group at the end of 2018.

Exceptional costs
Exceptional costs of £1.5m were incurred in the year, which included one-off start-up costs of £0.6m, in relation to the new super depot in Bedford. The move is due to be fully completed in Q2 2019.

Additional exceptional costs of £0.9m related to Rushden expansion and other one off and double running costs incurred in the year.

Finance costs
Interest payable of £0.6m (2017: £0.6m) relates predominantly to the supplier guarantee facilities in place during the year with RBS.

Taxation
The effective rate of corporation tax was 8.9% (2017: 13.5%) which was lower than the standard UK corporation tax rate of 19.00% (2017: 19.25%). This reflects the impact of long-term capital investment programmes, permanent and temporary timing differences.

The Group generates revenue, profit and employment, all of which deliver substantial tax revenues for the UK government in the form of VAT, Income Tax and Corporation Tax. The Group's tax policy, which has been approved by the Board aligns with this strategy and ensures that the Group fulfils its obligations as a responsible UK taxpayer.

Dividend
No dividend was paid in 2018 (2017: £1.5m paid 28 November 2017, 31.40p per share). However, the Board approved a dividend of 30.57p per share on 18 December 2018, which was paid on 22 January 2019.

Net cash
Net cash from operating activities was £22.2m (2017: £19.9m) and has improved in comparison to 2017 due to cash generation from profitable trading and working capital management.

Net investments in fixed assets of £7.2m relate to additions including the new Bolton and Bedford super depots, parcel sortation systems and continued investment in the network and efficiency projects.

Cash outflow from financing of £0.7m includes grants received in relation to the new super depot in Bolton offset by interest charges paid which predominantly relate to supplier guarantees and proceeds from issue of shares to new shareholders.

Overall the Group increased cash by £3.6m in the year whilst investing significant amounts – £10.4m in acquisitions and £7.2m in fixed assets – to support further growth.

Credit and working capital management
The Board of Management closely monitors credit and liquidity risks and is continually looking for improvements to working capital management. Days of trading in accounts receivable and accrued income, a key measure of debtor performance in Downstream Access and Parcels, reduced from 38.8 days to 35.9 days from 2017 to 2018.

Going concern
After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group and company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Key performance indicators
The Directors are reliant on specific key performance indicators such as statistics related to market share, sales growth and profitability to provide important guidance as to likely activity and performance within the business. The key performance indicators are described within this Strategic report.

Manoj Parmar
CFO

29 March 2019

Balance Sheet

	2018 £m	2017 £m	Change £m
Goodwill & negative goodwill	**14.3**	(1.3)	15.6
Fixed assets	**13.9**	9.3	4.6
Stocks	**0.4**	-	0.4
Debtors	**73.3**	75.2	(1.9)
Cash at bank and in hand	**40.7**	37.1	3.6
Creditors: amounts falling due within one year	**(119.3)**	(103.3)	(16.0)
Creditors: amounts falling due after one year	**(2.6)**	(0.2)	(2.4)
Provisions	**-**	(0.6)	0.6
Net assets	**20.7**	16.2	4.5

Cashflow

	2018 £m	2017 £m	Change £m
Net cash from operating activities	**22.2**	19.9	2.3
Taxation (paid) / received	**(0.3)**	(0.2)	(0.1)
Net investment in fixed assets	**(7.2)**	(4.3)	(2.9)
Purchase of subsidiary undertakings net of acquired cash	**(10.4)**	(0.9)	(9.5)
Net cash (outflow)/Inflow from financing activities	**(0.7)**	1.2	(1.9)
Equity dividends paid[3]	**-**	(1.5)	1.5
Net increase in cash	**3.6**	14.2	(10.6)

- *Net assets increased by £4.5m to £20.7m (2017: £16.2m)*
- *Goodwill increased by £15.6m to £14.3m (2017: £(1.3m)) following the acquisitions of Parcelhub and Spark Ecommerce Group during the year*
- *The net book value of tangible fixed assets and software increased by £4.6m to £13.9m due to the growth in capital additions net of depreciation. Debtors reduced by £1.9m to £73.3m (2017: £75.2m) due to strong credit control management*
- *Creditors payable in less than one year increased by £16.0m to £119.3m (2017: £103.3m) due to the acquisitions in the year, an increase in deferred income and other accruals*
- *Creditors payable after one year increased by £2.4m to £2.6m (2017: £0.2m) due to recognition of contingent and deferred consideration for future amounts payable on acquisitions*
- *Provisions for liabilities reduced by £0.6m due to the unwinding of residual Final Mile related liabilities*

[3] The Board approved a dividend of 30.57p per share on 18 December 2018, which was paid on 22 January 2019.

Risk Management


Danger
Overhead
live wires
Premier
REJECT

Principal risks and uncertainties
The Group has determined its key principal risks as those risks that the Group considers material and which could have a significant impact on the Group's financial position, its operations and/or reputation.

Risk management
The Group's principal risk management processes comprise risk registers and reviews, control risk self-assessment and Risk Management Committee. The Group faces a diverse range of risks and uncertainties which could have an adverse effect on its success if not managed. The Group has designed and embedded a risk management process to identify and monitor potential risks and uncertainties relevant to the Group and then seeks to eliminate or reduce these to the lowest extent possible to protect the business, its people and customers, and support delivery of its strategy.

The risk management process is intended to mitigate and reduce risk to the lowest extent possible but cannot eliminate all risks to the Group and its businesses. The Group's risk management process and controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management process incorporates both top-down and bottom-up elements to the identification, evaluation and management of risks. Mitigating controls are identified and opportunities for the enhancement are implemented.

Risk governance
The Board of Management is ultimately responsible for the Group's system of risk management and internal controls, and reviews their effectiveness on a regular basis throughout the year.

Risk overview
The Board of Management recognises that the risks faced by the Group change and it regularly assesses risks to manage and mitigate any impact.

Summarised below are the key risks, not in order of significance, that the Board of Management has identified as the primary risks to the Group's successful financial performance, reputation or operations in the year ended 31 December 2018 and future years.

Brexit
The Board of Directors continue to monitor the company's operations as a result of the UK's referendum to leave the European Union ('Brexit'). It is not expected that Brexit will have either a material impact on operations or financial performance.

Financial risk management
The Group has established processes to identify, monitor, mitigate and where feasible, eliminate these risks.

Capital management
Management consider capital to consist of equity plus net debt as disclosed in the balance sheet. The primary objective of the Group's capital management is to ensure healthy capital ratios in order to support its business and maximise shareholder value. The Group's financial instruments comprise of cash and liquid resources and various other items, such as receivables and trade payables that arise directly from its operations. The Group's policy is to finance its operations through operating cash flows and have access to a fully committed £65m facility from RBS.

Market risk
The Group's activities are principally provided to UK businesses and as a result the fortunes of the business are linked to the general health of the UK economy. The company's exposure is limited by having a broad customer base but the business remains exposed to fluctuations in marketing budgets, e-substitution, recession and continued market evolution.

Regulatory risk
The business is trading in a regulated area which affords a level of protection against any anti-competitive behaviour, mandates access to Royal Mail's network and controls elements of Royal Mail's pricing against which we compete. The Regulator, Ofcom, has conducted a Fundamental Regulatory Review and concluded that these protections should extend until 2022. During the last year Ofcom found Royal Mail had abused its dominant position by discriminating against Whistl as its only major competitor in final mile letter delivery and, as a consequence, fined them £50,000,000. Royal Mail has subsequently appealed the decision and we have an active involvement in this case and review our options accordingly. Management considers the regulatory risk to be manageable.

Price risk
Pricing of Royal Mail services is determined by Royal Mail but is monitored by the Regulator, Ofcom.

Credit risk
The Group has significant credit risk particularly given that a material amount of turnover is the pass through to customers of Royal Mail costs. The payment of such costs is required on strict terms. There are, however, strong credit controls in place and in addition, the Group utilises credit insurance.

Treasury management
In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, all risk exposures including funding, foreign currency, interest rate exposures and cash management are regularly monitored by the Board of Management. The prime focus being performance and strategic issues as well as the mitigation and management of these risks to an acceptable level. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations, the Group has substantial, fully committed unused credit facilities available.

Price competition
The Group operates in a highly competitive market. The Group is focusing on excellent account management and consistent quality of service with initiatives designed to improve competencies surrounding customer services, operational improvement, sales support and training.

The Group provides high levels of customer service. It also seeks to maintain strong relationships with major customers and develop new services.

Business continuity
The Group has detailed business continuity plans in place for all sites to ensure an immediate and appropriate response to a business continuity issue or disaster scenario.

Whistleblowing
The Group has in place a Whistleblowing Policy, which all employees and other defined individuals are required to adhere to and is open to suppliers and customers to use if they wish to report any concerns. The Whistleblowing Policy sets out the ethical standards expected of all persons the policy legally applies to and includes the procedure for raising concerns in strict confidence. Employees are encouraged to raise their genuine concerns regarding any malpractice within the Group without fear of harassment or victimisation. Any instances of employee disclosures concerning malpractice are reported to the Executive Board. There were no instances of malpractice reported to the committee during the year.

Anti-bribery and corruption
The Group operates an anti-bribery and corruption policy which was put in place in response to the UK Bribery Act 2010. This policy sets out the responsibilities of employees of the Group in observing and maintaining the Group's position on bribery and corruption, which is that the Group will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. All employees are required to undertake a Bribery Corruption Awareness training programme as part of their induction process upon joining the Group.

We publish our anti-bribery procedure on our intranet and each member of staff has to complete an annual assessment through the company's myAcademy online training portal. We are committed to actively investigating any reports of a breach in policy. No breaches were reported this year.

Modern Slavery Act compliance
We conform to the requirements around modern day slavery legislation to ensure we only use resource that can legally work within the organisation and ensure no workforce is engaged in any way has links to people trafficking activity.

We actively work to demonstrate appropriate due diligence of our supply chain and we maintain a Modern Slavery Policy and Statement as required by the Modern Slavery Act 2015.

Corporate Responsibility & Our People

The Group recognises the importance of its role in managing social, economic and environmental issues. Corporate Social Responsibility (CSR) is the principal way the Group seeks to co-ordinate and manage practices to maximise a positive social and economic contribution and minimise the environmental impacts of its business. Engagement with key stakeholders including clients, employees, community, environmental stakeholders, regulators, business partners, suppliers and our shareholders is central to the Group's approach to CSR.

THE GROUP DIVIDES CSR INTO FOUR SEGMENTS

1

Customer and Value Chain
Where we trade and how we trade

2

Employees
Where we work, how we work and who we work with

3

Environment
How we reduce our impact on the world's ecosystems and natural resources

4

Philanthropy
How we support the community and world at large

The Group is committed to behaving responsibly and to operate in the most efficient way to reduce the impact of our operations on the environment.

The Group have been submitting fully collated data to a number of indices including the CDP (formerly the "Carbon Disclosure Project"). The CDP is the leading international index of climate change and carbon management for companies.

Our performance submitted to CDP is shown opposite.

CO_2e* emissions (metric tonnes)

	2018	2017
Scope 1 – emissions from sources that are controlled by the Group	**16,854**	16,748
Scope 2 – emission generated upstream from the Group	**1,808**	1,904
Total	**18,662**	18,652

Intensity figures

	2018	2017
Tonnes CO_2e by revenue	**0.035**	0.031
Tonnes CO_2e by no of employees	**14.3**	11.9

CO_2e emissions (metric tonnes) by activity

	2018	2017
Facility heating	**93**	91
Vehicle fleet	**16,761**	16,657

Energy consumption (MWh) by type

	2018	2017
Fuel	**65,617**	65,211
Electricity	**3,913**	4,120
Heat	**507**	497
Total	**70,037**	69,828

* CO_2 equivalent

Environmental and energy objectives
The Group remains committed to understanding, managing and reducing the environmental impact of our activities through innovation, technology and cultural change. The Group is also committed to being a responsible energy user and will practice energy efficiency in all premises, plant and equipment, wherever it is cost-effective and operationally viable.

We must comply with all current legislation and other requirements relating to the environment and its protection, plus energy usage, via our environmental and energy policies, objectives and management systems.

With our vehicles
We invest heavily in our van and bulk fleet to boost fuel efficiencies and cut emissions. We continue to transition our fleet to more efficient models and install telematics like IsoTrak across the entire fleet to embed more efficient driving techniques into the teams' operations. Over the last four years we have made a six figure saving in terms of fuel efficiency, although overall consumption has increased due to increase in van fleet.

Within our depots
We reduce our environmental impact through setting targets, underpinned by improvement plans and performance measures. Our largest contributors to carbon emissions are road transport and materials handling equipment (fork lift trucks) in our buildings. Our carbon footprint has however increased overall due to expansion in Bolton as well as increase in vans.

Within our products and services
We ensure that environmental sustainability is built in right from the design stage within our products and services. For example our AdMail and GreenPost products help to reduce environmental impact and boost green credentials.

We also seek to reduce unnecessary travel by encouraging alternative means of commuting, such as car sharing, and reduce travel by using remote conference calls and digital meeting applications.

Health and Safety
We have a comprehensive Health and Safety Policy which includes all major regulations and a set of KPI's are set to monitor implementation and effectiveness of this policy. Our application and adherence to this policy in 2018 enabled us to remain below the industry average for days lost through injury and lost time, despite the increase in employees and sites we operate.

Our people
Our people are absolutely key to our continued success. The team is smart, commercial, engaging and passionate about the Group.

We recognise their value and invest in development programmes to help them reach their potential. We have developed and implemented various processes across our business to ensure all employees are given opportunities to access tools which will support their personal and career development.

In 2018 our employee base grew by an average of 5% to 1,790 through the acquisition of the Nottingham-based Parcelhub and Gateshead-based Spark Ecommerce Group. Employees of both companies share the Group's entrepreneurial and customer focussed culture.

Since 2010 we have been certified to the Investors in People (IiP) Bronze standard for our staff development and training methodology. In 2017 the certification was re-awarded for our ongoing commitment to staff investment and we will seek renewal in 2019.

Recognition of the people within the Group who help contribute to the development of the organisation is important. Therefore we were delighted that our Depot Manager in Belfast was a runner up in the 2018 Everywoman in Transport and Logistics Awards Leader category.

Treating people fairly is important to us and we have clear policies and practices relating to equality, diversity and pay.

Diversity
We are committed to eliminating discrimination and encourage diversity and inclusion amongst our workforce so that all employees and workers are treated with respect and dignity. Our aim is to provide equality and fairness for all in our employment and not to discriminate on grounds of age, disability, gender re-assignment, marriage and civil partnership, race, religion or belief, sex and sexual orientation. We oppose all forms of unlawful and unfair discrimination.

The company is committed to ensuring that the workforce, whether part-time, full-time or temporary, are treated fairly in respect of employment, promotions, performance appraisals, transfers and training. The Group will appoint, train, develop and promote on the basis of aptitude and ability.

It is recognised that staff with disabilities may require reasonable adjustments to their workplace or have equipment provided in order that they may carry out their normal duties. The company will endeavour to provide reasonable solutions for such situations.

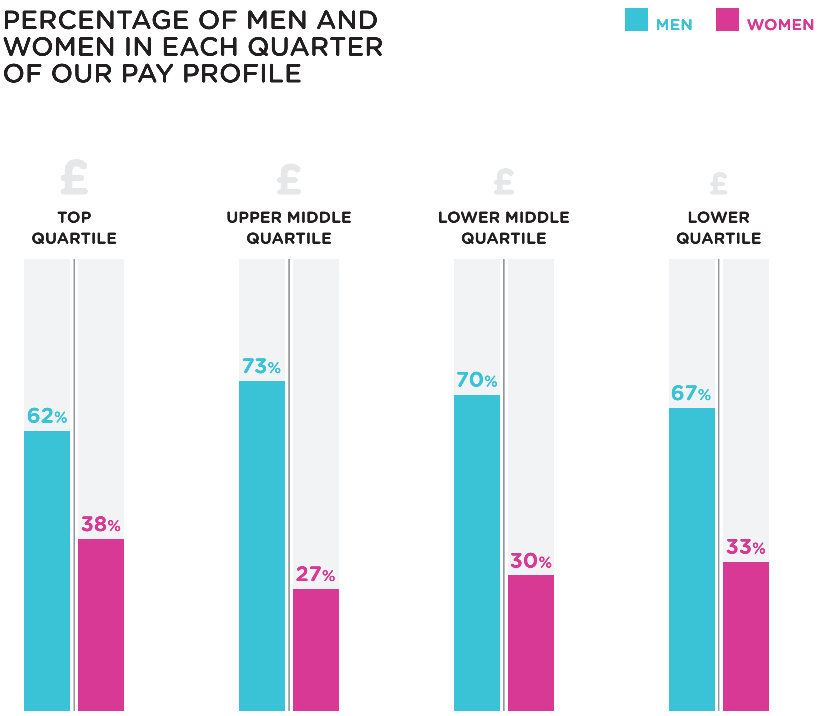
All employees are also made aware of our policies and procedures as well as processes to challenge any treatment they deem to be unfair.

PAY GAP

BASED ON THE GOVERNMENT'S HOURLY RATE METHODOLOGY, WOMEN'S HOURLY RATE IS

MEAN	MEDIAN
0.6%	**1.2%**
LOWER	HIGHER

PERCENTAGE OF MEN AND WOMEN IN EACH QUARTER OF OUR PAY PROFILE



Investing in our people

Skills and training

Our Learning and Development team is committed to ensuring that everyone has the knowledge, skills and expertise to perform to consistently high standards and achieve their potential. A formal development and review plan is in place for each individual.

LEAP – our career development and leadership programme – continues to be the cornerstone of our career progression and talent management programme within the Group. In 2018, 46 candidates (54% female and 46% male) completed the LEAP programme, a 13% increase on the previous year, taking the total number of LEAP graduates to 114. Currently 43% of all successful candidates have received a promotion or additional responsibilities since graduating.

Within our online e-learning and performance tool, My Academy we also have 'My Appraisal'. This enables individuals and managers to carry out appraisals, set objectives and capture employee performance online in a more efficient and measurable way.

Apprenticeships

Over the year we increased the number of apprenticeships from five to 25. They are being undertaken in all parts of the business including Parcelhub. In 2019 we expect the number of apprenticeships to increase further, and across a wider business area including marketing.

We donate 10% of our Apprenticeship Levy to a new not-for-profit organisation called Road to Logistics. This has been formed with the aim of addressing the professional driver shortfall, whilst supporting those in society who may need a helping hand back into the workplace, including the long-term unemployed, disabled, veterans and ex-offenders.

Valuing our people

Engagement and empowerment

We value what our employees think and how they feel. To monitor the satisfaction of our employees, each year we undertake an online employee engagement survey, MySay, run by an independent company. In 2018 we had an 84% response rate and engagement level of 69%. This is higher than the average engagement rate for all companies for the same period, which was 65%. Employees understand how they contribute to the future success of the organisation, value their team and friendly environment and have higher than industry average perceptions of customer experience and management.

Gender pay gap reporting

From April 2018, companies with 250 or more employees, including our main trading company, Whistl UK Limited, are required to publish certain statistics relating to gender pay.

Based on the Government's hourly rate methodology, Whistl UK Limited's pay rates were 0.6% lower for women vs men, and 1.2% higher vs men according to the mean and median methodologies respectively.

The Group is committed to ensuring pay is fair, equitable and competitive regardless of gender. Our policies, including our compensation framework, union negotiated operational pay structure and salary benchmarking pay band approach, effectively promote equal pay and support gender pay aims.

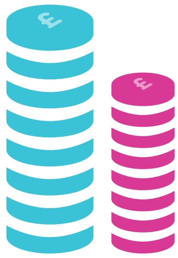
Pay quartiles

The gender pay metric is influenced by the proportion of men and women in each pay quartile.

The top pay quartile contains a greater proportion of women compared to the other pay quartiles which increases women's average hourly rate according to both the mean and median methodologies.

MEAN

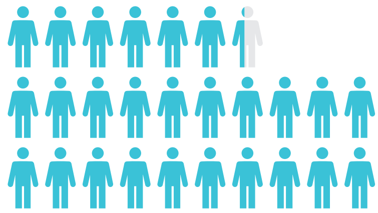
WOMEN'S BONUS IS 27.1% LOWER THAN MEN'S



MEN WOMEN

MEDIAN

WOMEN'S BONUS IS 15.6% LOWER THAN MEN'S



26.4% OF MEN RECEIVED A BONUS

PROPORTION OF MEN AND WOMEN RECEIVING BONUS

39.2% OF WOMEN RECEIVED A BONUS

Bonus pay

Bonuses are linked to individual performance and/or company targets, which supports a pay-for-performance culture.

The bonus pay metric is also significantly influenced by the proportion of men and women in each of the pay quartiles. Hourly staff did not receive a bonus in this period as bonus targets and KPI's were not met. This means 65% of those eligible for a bonus did not receive one. As 73% of the hourly paid population are men, a lower proportion of men overall received a bonus compared to last year.

Ongoing actions to support the principles of gender pay equality

Reward principles

One of our key reward principles is to ensure pay is fair, equitable and competitive regardless of gender. Bonuses are linked to individual performance and/or company targets, supporting a pay-for-performance culture.

Succession planning and talent management

We have designed, and are delivering, a career development programme called LEAP which is specifically designed to equip colleagues with the knowledge and skills to be successful as a leader and manager either in their current role or in preparation for the next step in their career. The programme combines formal workshops, self-led learning, application and reflection activities focused around the behaviours set out in the competency framework. Since inception in 2015, 68 employees have graduated from one of our LEAP courses, 57% Females and 43% Male.

Trade union representation and national living wage

To ensure our workforce is fairly treated and represented, we have engaged with the trade union, Community, since January 2012. Community has a network of representatives across all of our sortation depots. We have a good relationship with the union who continue to be positive, effective and collaborative. From 1 April 2016, we adopted the new national living wage. Although the national living wage applies to individuals over 25, through working with Community, we agreed to apply this rate to all employees, regardless of age. We continue to pay all employees above the national living wage and this also applies to the two companies Parcelhub and Spark Ecommerce Group which we acquired in 2018.

Additional benefits

To further support employee engagement and support a work-life balance, we have partnered with You at Work/Plus You to provide employees with preferential shopping and membership discounts across a wide range of goods and services across the UK. Employees are able to access these discounts and special offers from home or at work via the Plus You website.

Work-life balance

We offer an Employee Assistance Programme, partnering with Unum LifeWorks, to support our employees with their emotional wellbeing and work-life balance. This is a free of charge service to support our employees with a wealth of resources covering life, health, family, work, money and life changes.

Flexible working

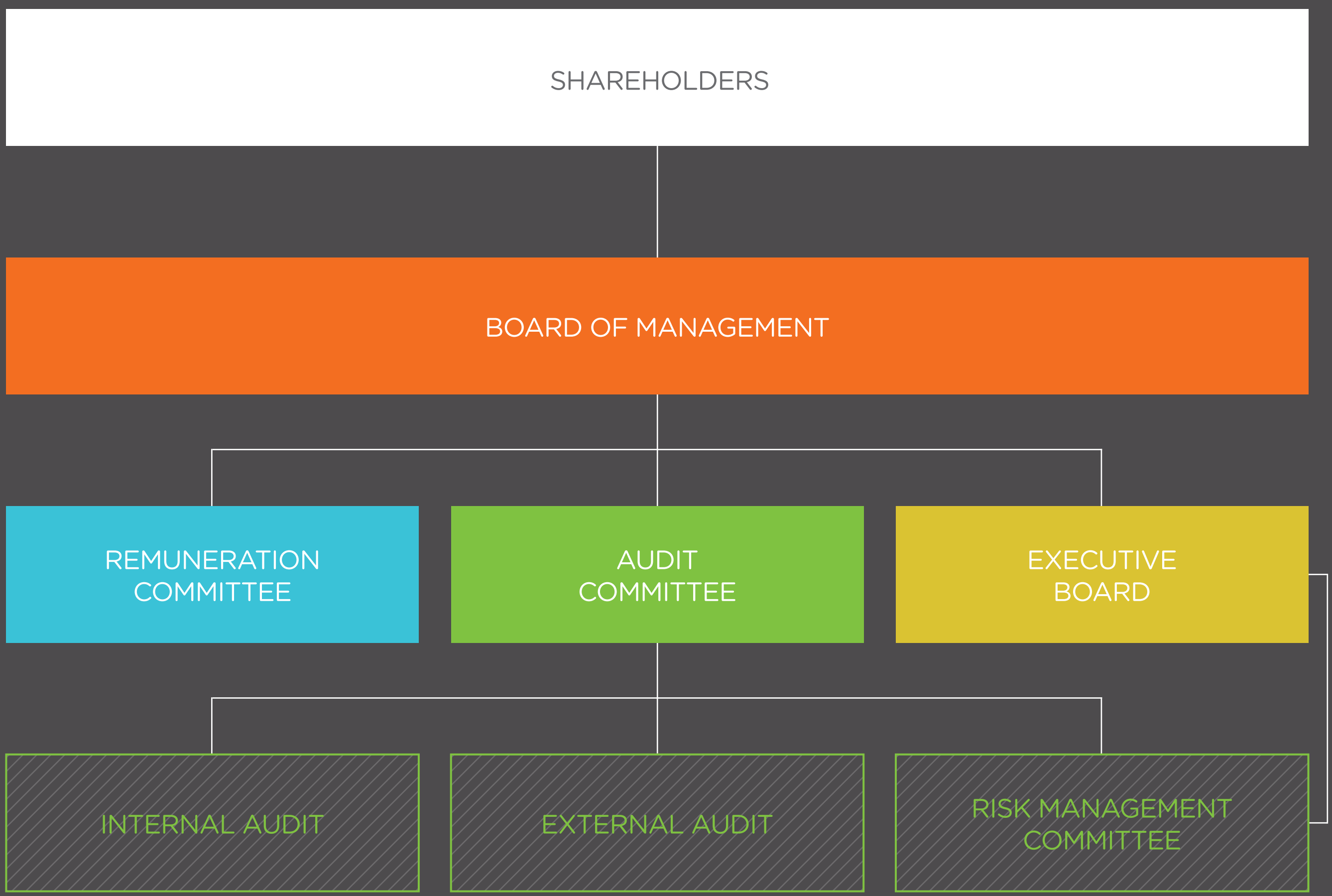
We recognise the need for all employees to be able to request to work flexibly and we comply with all legislation in regard to the Children and Families Act 2014. We have policies and procedures in place to request and support flexible working which are communicated to all employees and people managers; all policies are available to all staff via our company intranet. Each request is reviewed and considered on a case by case basis and will be accommodated where possible against business requirements.

Pensions

Since November 2013, as introduced by the Government, we have auto-enrolled all employees on our pension scheme taking into consideration age and income criteria. In addition, we rolled out a second auto enrol programme in 2016 in order to fulfil our legal obligation and the next one is due in 2019. In 2018 there was a Government mandated increase in contribution levels and the Group adopted this as part of our legal responsibility to employees.

Governance

GOVERNANCE STRUCTURE



Board of Management
The Group is led and controlled by the Board of Management, which is collectively responsible for the long-term success of the Group and the endorsement and application of corporate governance.

The Board of Management is comprised of three Executive Directors, and currently one Non-Executive director. The Directors are not currently subject to retirement by rotation and there is no plan to implement such a regime. The Board of Management always aims to keep an appropriate balance of Board of Management expertise and length of Director tenure and recognises that tenure must be considered when examining the independent status of Non-Executive Directors.

Board of Management sub-committees
The Board of Management is supported by three sub-committees – an Audit Committee, Executive Board and a Remuneration Committee. Each committee has terms of reference which are reviewed and revised where necessary.

Our approach to corporate governance is to instil it throughout the business, with the Board of Management, taking collective responsibility for the overall management and leadership of the business, together with individuals and teams, taking ownership and being empowered to take appropriate decisions while reporting in to the Executive Board, which in turn, reports to the Board of Management.

The Board of Management acknowledges its accountability in the performance and success of the business to its shareholders.

The Board of Management's agenda also covers:

- *Planning and monitoring Group strategy*
- *Financial and operational risk management*
- *Financial reporting, tax and treasury matters*
- *Performance of key management personnel and the Executive Board*

The Board of Management operates robust procedures to ensure all decisions are made objectively:

- *Board of Management meetings take place on a monthly basis*
- *Conflicts of interest are declared openly and in advance and are managed respectfully*
- *The Board of Management receives a report from the Chief Executive and Chief Financial Officer as well as reports from its various committees and the Executive Board*
- *Members of the senior management team make presentations to both the Board of Management and the Executive Board on specific topics, creating a close connection between the Board of Management and the rest of the business*
- *In the period between Board of Management and Executive Board meetings, all Directors receive email updates on significant matters arising. This may result in discussion by conference call between Board of Management meetings*

Communication with stakeholders
Throughout the year, the Group has maintained regular monthly contact with its shareholders and investors to ensure that the interests of shareholders are aligned with the company. Good governance is an essential tool in ensuring that stakeholders remain committed partners as we invest in our business for the longer term.

Board of Management

Nick Wells
Chief Executive Officer

Nigel Polglass
Chief Operating Officer

Manoj Parmar
Chief Financial Officer

James Greenbury
Non-Executive Director

Executive Board

Nick Wells
Chief Executive Officer

Nigel Polglass
Chief Operating Officer

Manoj Parmar
Chief Financial Officer

Charles Neilson
Director
of Postal Affairs

Andrew Goddard
Commercial
Director

Lieneke Happel
MD Whistl
Fulfilment

Mark Davies
MD Doordrop
Media

Jason Powell
IT
Director

Lynn Dillon
HR
Director

Fabiola Sharratt
Operations
Director

Alistair Cochrane
Development
Director

Board of Management and Executive Board profiles

Supported by an experienced operational team with deep understanding of the Group's operations

Nick Wells
Chief Executive Officer

Nick joined Whistl (formerly TNT Post UK) in 2001 when he sold his direct marketing business to TNT in 2001.

Nick led the management buyout of Whistl from PostNL, and has overseen the growth of Whistl to over £610m of revenues.

Nick is a lead commentator on postal and direct marketing issues.

Nigel Polglass
Chief Operating Officer

Nigel joined Whistl (formerly TNT Post UK) in 2008 as MD of TNT Post London, which he took from start-up to £55m of sales in three years.

Prior to Whistl, Nigel held senior positions within market leading and multi-national companies including Ceridian Corporation, Hays PLC and the Royal Mail Group.

Nigel was appointed Chief Operating Officer of Whistl in 2013.

Manoj Parmar
Chief Financial Officer

Manoj qualified as a Chartered Accountant with Price Waterhouse Coopers and subsequently went on to senior, international finance and commercial positions with Cable & Wireless.

Prior to joining Whistl, Manoj held similar positions in private equity backed companies.

Charles Neilson
Director of Postal Affairs

Charles is responsible for developing Whistl's corporate strategy including the relationship with Royal Mail and the legal and regulatory environment in which the business operates.

Charles joined the Whistl Executive Board formed following the MBO in 2015 and has worked for a variety of companies in the mail industry over the last 30 years.

Jason Powell
IT Director

Jason is responsible for the design and implementation of Whistl's IT strategy, ensuring that customers have a seamless experience and that the business continues to lead through technology innovation.

Jason's experience includes senior technology roles in the banking, telecoms, utilities, BPO and retail sectors for corporate enterprises including Lloyds Bank, Coutts Bank, the Post Office and SME firms.

Andrew Goddard
Commercial Director

Andrew initially joined Whistl on secondment from Express Dairies where he was their Head of Home Delivery.

Before this he was Client Director and Head of Home Shopping & E-commerce at Royal Mail and also ran their door-to-door business.

He was previously in the Royal Logistic Corps and achieved the rank of Lt Col before retiring in 2006.

Lieneke Happel
MD Whistl Fulfilment

Lieneke joined Whistl in 2004 as Head of Operational Development and has since held several roles, most recently as IT and Strategy Director.

Following Whistl's acquisition of Prism DM in August 2017, Lieneke's focus is to expand Whistl's offering in the e-commerce fulfilment area.

Lynn Dillon
HR Director

Prior to becoming HR Director, Lynn was Operations Director within the Doordrop Media business, a role that she held for 11 years.

Lynn is passionate about creating a culture that strives for continuous improvement to help build strong, productive relationships with our customers.

Fabiola Sharratt
Operations Director

Fabiola began her logistics and transport career with the GUS Group, then joined the Caudwell Group in 2005.

In 2009 Fabiola moved to The Hut Group where she was instrumental in developing its logistics, distribution and warehouse capability across the UK, the US, Australia and Europe.

Mark Davies
MD Doordrop Media

Mark joined Whistl in 2003 and occupied several key sales roles before becoming MD of the DDM business.

Mark is President of ELMA (the European Letterbox Marketing Association), represents the company on the DMA print council and speaks regularly on the doordrop industry both in the UK and across Europe.

Alistair Cochrane
Development Director

Alistair joined Whistl in 2018. Formerly Managing Director of TNT Express, a sister company of Whistl when it was previously owned by the TNT Group, Alistair is recognised as an industry expert in UK and international logistics. Having spent 26 years working for TNT and more recently, Parcelforce Worldwide, Alistair has a track record of leading structural, cultural and strategic change to deliver best-in-class performance.

Directors' Report for the year ended 31 December 2018

The Directors present their report and the audited consolidated financial statements of the Group for year ended 31 December 2018.

Directors

The Directors who served the company during the period and up to the date of signing the financial statements were as follows:

N Wells
N Polglass
M Parmar
J Greenbury
P Berendsen (resigned 31 March 2018)

The Directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Political donations

The Group made no political donations during the period.

Matters covered in the strategic report

Discussion of going concern, financial risk management, future developments, employees and payment of dividends have been included in the strategic report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

Statement of disclosure of information to auditor

In the case of each Director in office at the date the Directors' report is approved under section 418, the following applies:

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent 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.

Signed on behalf of the Board of Management.

M Parmar
CFO

29 March 2019

Independent Auditor's Report to the Members of Whistl Group Holdings Limited

Opinion
We have audited the financial statements of Whistl Group Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the Group and company primary statements which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 3.

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 2018 and of the Group's profit 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.

Brexit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the company or to cease their operations, and as they have concluded that the Group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions, and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

Strategic report and Directors' report
The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report 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 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.

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.

Directors' responsibilities
As explained more fully in their statement set out on page 36, the Directors are responsible for: the preparation of the financial statements and for 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

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.

Derek McAllan (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor & Chartered Accountants
Arlington Business Park
Theale
West Berkshire
RG7 4SD

29 March 2019

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	5	**616,349**	602,984
Cost of sales		**(579,775)**	(565,602)
Gross profit		**36,574**	37,382
Administrative expenses – other		**(27,616)**	(26,846)
Administrative expenses – exceptional items	6	**(1,509)**	(1,854)
Total administrative expenses		**(29,125)**	(28,700)
Operating profit	6	**7,449**	8,682
Profit before interest and taxation		**7,449**	8,682
Interest receivable and similar income	9	**28**	4
Interest payable and similar expenses	10	**(611)**	(625)
Profit before taxation		**6,866**	8,061
Tax on profit	11	**(612)**	(1,088)
Profit for the financial year		**6,254**	6,973
Profit and total comprehensive income for the year attributable to:			
Shareholders of the parent company		**6,222**	6,908
Non-controlling interest		**32**	65
		6,254	6,973

All results derive from continuing operations. None of the Group's activities were discontinued during the current year or previous year.

There is no material difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 45 to 65 form part of these statements.

Consolidated Statement of Financial Position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Negative goodwill		-	(1,889)
Other intangible assets		16,432	3,588
Total intangible assets	13	**16,432**	1,699
Tangible assets	14	**11,731**	6,386
		28,163	8,085
Current assets			
Stocks	16	**431**	-
Debtors	17	**73,365**	75,158
Cash at bank and in hand		**40,698**	37,103
Total current assets		**114,494**	112,261
Creditors: amounts falling due within one year	18	**(119,300)**	(103,309)
Net current (liabilities)/assets		**(4,806)**	8,952
Total assets less current liabilities		**23,357**	17,037
Creditors: amounts falling due after one year	19	**(2,588)**	(241)
Provisions for liabilities	20	**(70)**	(548)
Net assets		**20,699**	16,248
Whistl Group Holdings Limited			
Capital and reserves			
Called up share capital	23	**3**	3
Share premium account	23	**1,084**	1,058
Other reserves		**(100)**	15
Retained earnings		**19,567**	14,845
Equity attributable to the parent's shareholders		**20,554**	15,921
Non-controlling interest		**145**	327
Total equity		**20,699**	16,248

The notes on pages 45 to 65 form part of these statements. The financial statements on pages 39 to 65 were approved by the Board on 29 March 2019 and were signed on its behalf by

M Parmar
Director

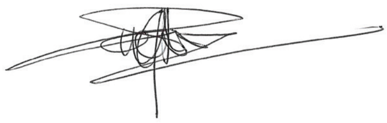
Registered number: 9779561

Company Statement of Financial Position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investment in subsidiary undertakings	15	**-**	-
Current assets			
Debtors	17	**6,158**	3,566
Total current assets		**6,158**	3,566
Creditors: amounts falling due within one year	18	**(1,500)**	(25)
Net current assets		**4,658**	3,541
Creditors: amounts falling due after one year	19	**(293)**	(241)
Net assets		**4,365**	3,300
Capital and reserves			
Called up share capital	23	**3**	3
Share premium account	23	**1,084**	1,058
Other reserves		**15**	15
Retained earnings		**3,263**	2,224
Total equity		**4,365**	3,300

The notes on pages 45 to 65 form part of these statements.

The financial statements on pages 39 to 65 were approved by the board on 29 March 2019 and were signed on its behalf by



M Parmar
Director

Registered number: 9779561

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £'000	Share Premium account £'000	Other reserves £'000	Non-controlling Interests £'000	Retained earnings £'000	Total equity £'000
At January 2017	**3**	**849**	**-**	**-**	**9,472**	**10,324**
Issue of shares	-	209	-	-	-	209
Own shares acquired	-	-	-	-	(35)	(35)
Share base payments	-	-	15	-	-	15
Acquisition of non-controlling interest	-	-	-	262	-	262
Total comprehensive income for the year	-	-	-	-	6,908	6,908
Profit attributable to non-controlling interest	-	-	-	65	-	65
Dividends paid	-	-	-	-	(1,500)	(1,500)
At 31 December 2017	**3**	**1,058**	**15**	**327**	**14,845**	**16,248**
Issue of shares	-	26	-	-	-	26
Acquisition of non-controlling interest	-	-	(115)	(214)	-	(329)
Total comprehensive income for the year	-	-	-	-	6,222	6,222
Profit attributable to non-controlling interest	-	-	-	32	-	32
Dividends payable	-	-	-	-	(1,500)	(1,500)
At 31 December 2018	**3**	**1,084**	**(100)**	**145**	**19,567**	**20,699**

The notes on pages 45 to 65 form part of these statements

Company Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £'000	Share Premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**3**	**849**	**-**	**(122)**	**730**
Issue of shares	-	209	-	-	209
Own shares acquired	-	-	-	(35)	(35)
Share base payments	-	-	15	-	15
Total comprehensive income for the year	-	-	-	3,881	3,881
Dividends paid	-	-	-	(1,500)	(1,500)
At 31 December 2017	**3**	**1,058**	**15**	**2,224**	**3,300**
Issue of shares	-	26	-	-	26
Total comprehensive income for the year	-	-	-	2,539	2,539
Dividends payable	-	-	-	(1,500)	(1,500)
At 31 December 2018	**3**	**1,084**	**15**	**3,263**	**4,365**

The notes on pages 45 to 65 form part of these statements

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Net cash from operating activities	26	**22,238**	19,857
Dividends paid		**-**	(1,500)
Taxation paid		**(348)**	(213)
Net cash generated from operating activities		**21,890**	18,144
Cash flows from investing activities			
Purchase of subsidiary undertaking		**(13,240)**	(1,375)
Purchases of intangible assets		**(796)**	(1,551)
Purchases of tangible assets		**(6,370)**	(2,784)
Interest received		**28**	4
Net cash flow from investing activities		**(20,378)**	(5,706)
Cash flows from financing activities			
Proceeds from issue of share capital		**26**	209
Acquisition of non-controlling interest		**(329)**	-
Purchase of own shares		**-**	(35)
Repayment of obligation under finance leases		**(32)**	-
Receipt of loan		**25**	10
Receipt of grants		**213**	1,687
Interest paid and similar expenses		**(581)**	(603)
Net cash (used)/from financing activities		**(678)**	1,268
Net increase in cash and cash equivalents		**834**	13,706
Acquisitions through business combinations		**2,761**	494
Cash and cash equivalents at beginning of year		**37,103**	22,903
Cash and cash equivalents at end of year		**40,698**	37,103
Cash and cash equivalents consists of:			
Cash at bank and in hand		**40,698**	37,103

The notes on pages 45 to 65 form part of these statements.

Company Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Net cash from operating activities	26	**(39)**	(2,688)
Taxation paid		**(12)**	4
Dividends paid		**-**	(1,500)
Net cash generated from operating activities		**(51)**	(4,184)
Net cash from investing activities		**(51)**	(4,184)
Cash flows from financing activities			
Proceeds from issue of share capital		**26**	209
Treasury shares acquired		**-**	(35)
Dividends received		**-**	4,000
Receipt of loan		**25**	10
Net cash from financing activities		**51**	4,184
Net decrease in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**-**	-
Cash and cash equivalents at end of year		**-**	-

The notes on pages 45 to 65 form part of these statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

1 General information

The principal activities of Whistl Group Holdings Limited and its subsidiaries are the distribution of Downstream Access Mail (being letters and parcels of various sizes), Parcel and International Mail Services, Doordrop Media, Data Services, Fulfillment and Call Centre Services. Whistl Group Holdings Limited is a private company limited by shares, domiciled and incorporated in England and Wales. The address of the registered office is Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB.

2 Statement of compliance

The Group and individual financial statements of the company have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to the year presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the recognition of certain fixed assets and liabilities measured at fair value. The going concern preparation is based on projections and availability of funding.

The Group has indicated that it will continue to make available such funds as are needed by the company. After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Notwithstanding net current liabilities of £4,806,000 as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the group will have sufficient funds, to meet its liabilities as they fall due for that period. The Group can draw on a fully committed facility provide by Royal Bank of Scotland totalling £65m which is divided into a credit and working capital facility of £36m and a supplier guarantee facility of £29m. The credit and working capital facility of £36m remained unutilised during the year.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

These financial statements have been prepared under FRS 102 and are presented in Sterling (£).

Basis of consolidation
The Group financial statements include the results of the company and all of its subsidiary undertakings. Uniform accounting policies are applied throughout the Group and intra-group transaction and balances are eliminated on consolidation.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

Turnover
Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for delivery services provided in the normal course of business, net of discounts, rebates and Value Added Tax. Sales are recognised only on the passing over of Downstream Access Mail to Royal Mail and other carriers for final distribution.

Agency revenue is recognised where the company enters into an agency relationship, only the amount of commissions are recognised as revenue and not the amounts collected on behalf of the principal.

Unaddressed mail revenue is derived from client specific contractual arrangements, for delivery of marketing material and/or market research across a variety of distribution networks. Invoiced amounts, exclusive of Value Added Tax, are recognised within the profit and loss account in the month of delivery.

Fulfilment turnover comprises revenue recognised by the company in respect to services supplied during the year, exclusive of Value Added Tax and, net of and trade discounts. Service revenue is recognised once the company has performed its service to the client. Recharge revenue represents a recovery of third party costs incurred by the company, but on behalf of it clients activity. Recharge revenue is recognised in the same period as the third party cost being charged.

Revenue recognised but not billed for services delivered during the financial year has been recognised as accrued income in the statement of financial position.

Rendering of services
Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Business combinations and goodwill
Business combinations are accounted for by applying the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Purchase goodwill is amortised over its expected useful life, management have reassessed the estimated useful life of the purchased goodwill to be 10 years. (2017:5 years).

Where the cost of the business combination does not exceed the fair value of the Group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The Group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the years in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the year expected to benefit.

Negative goodwill is amortised over its expected useful life, management have estimated the useful life of the negative goodwill to be three years.

Goodwill is assessed annually for impairment and when there are indicators of impairment and any impairment is charged to the statement of comprehensive income.

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to allocate the cost of intangibles less their residual values over their estimated useful lives. The intangible assets are amortised over the following useful economic lives:

Computer software/IT infrastructure	-	3 to 5 years straight line
Negative goodwill	-	3 years straight line
Purchased goodwill	-	10 years straight line

Assets under construction, which consist of computer software under development, are included in the category of intangible assets at cost and are not amortised. The expected useful lives of the assets are reassessed periodically in the light of the experience.

Tangible fixed assets
Tangible fixed assets are measured at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long leasehold property	- over term of lease
Plant and machinery	- 3 to 10 years straight line
Fixtures and fittings	- 3 years straight line
Computer equipment	- 3 years straight line
Motor vehicles	- 25% reducing balance

Assets under construction, which consist of plant and machinery are included in the category of tangible assets at cost and are not depreciated.

Fixed asset investments – subsidiary undertakings
Investments are stated at the cost of the shares plus all other associated costs less any provision for impairment. Investments are reviewed annually and impairments are assessed if the investment's carrying value is greater than the recoverable amount.

Impairment of assets
At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. The carrying value of intangible and tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks
Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Financial instruments
The Group has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and amounts owed by Group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets are measured at amortised cost, net of any allowance for impairment in relation to irrecoverable amounts. The impairment is recognised in the profit and loss.

Financial liabilities
Basic financial liabilities, including trade and other payables and amounts owed to Group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables and amounts owed to Group undertakings are not interest bearing and are recognised at carrying amount which is deemed to be a reasonable approximate to their fair value.

At the end of each reporting period financial liabilities are measured at amortised cost using the effective interest method.

Impairment of financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the

company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Provisions
Provisions are recognised when the company and Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Borrowing costs
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used.

Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is recognised for the amount of tax payable/(recoverable) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax assets are recognised to the extent that it is probable that they will be recovered. This requires judgements to be made in respect of the forecast of future taxable income.

A deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits
The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

The Group recognises an accrual for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The accrual is measured at the salary cost.

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of comprehensive income.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Exceptional items
The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

Related party disclosures
The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Grants
Grants are included within accruals in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Share based payments
Equity-settled share options are granted to certain officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest, through an increase to equity. The number of awards expected to vest is reviewed over the vesting period, with any forfeitures recognised immediately.

Share capital
Ordinary shares are classified as equity.

Own shares
Own shares consist of treasury shares and are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being taken to retained earnings. No gain or loss is recognised in the performance statements on transactions in treasury shares.

Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

Provisions
Provision is made for impairment of fixed assets. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement. The adequacy of provisions is reviewed monthly.

Goodwill
The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable values is required. This requires estimation of the future cashflows and also selection of appropriate discount rates in order to calculate the net present value of those cashflows.

Impairment of trade debtors
The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and the associated impairment provision.

Deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Accounting for business combinations
The Group has accounted for the transaction using the acquisition method of accounting, the fair value of the identifiable assets acquired and liabilities at the year-end date are not materially different from their net book value at the date of acquisition.

The estimation of the deferred consideration payable to shareholders of the businesses acquired during the financial year required estimation of the future levels of profitability over a number of years.

5 Turnover

The Group's turnover is derived from the provision of delivery services within the UK. The turnover and profit before tax are attributable to the principal activity of the company. An analysis of turnover is given below:

	2018 £'000	2017 £'000
Mail, Parcels and International (letters and parcels of various sizes)	**545,997**	538,546
Doordrop Media	**52,686**	58,402
Fulfilment	**17,056**	6,036
E-tail	**610**	-
	616,349	602,984

6 Operating profit

Operating profit is stated after charging/(crediting):

	2018 £'000	2017 £'000
Negative goodwill amortisation	**(1,889)**	(2,266)
Purchased goodwill amortisation	**589**	11
Amortisation of intangible fixed assets	**1,498**	1,956
Depreciation of tangible fixed assets	**1,843**	1,744
Impairment of intangible fixed assets	**-**	178
Reversal of impairment of tangible fixed assets	**-**	(550)
Loss on disposal of tangible fixed assets	**-**	4
Impairment of trade debtors	**146**	142
Exceptional costs*	**1,509**	1,854
Auditor's remuneration		
– as auditor	**143**	84
– other audit related services	**-**	-
Grant Income	**245**	185
Stock recognised as expense during the year	**353**	-
Net (gain)/loss on foreign currency translation	**(52)**	41
Operating lease charges:		
– Plant and machinery	**5,486**	5,845
– Other	**5,220**	4,023

*Exceptional costs of £1.5m were incurred in the year: which included one-off start-up costs of £0.6m in relation to the new super depot in Bedford. The move is due to be fully completed in Q2 2019.

Additional exceptional costs of £0.9m related to Rushden expansion and other one-off and double running costs incurred in the year.

Fees for audit related services for 2018 and 2017 were borne by a Group company and not recharged, apart from Whistl Fulfilment, Parcelhub, Mail Workshop and Spark Ecommerce Group that was recharged £55,000 (2017:£15,000). There were no non-audit related services in the year.

7 Employee information

The average monthly number of staff (including Executive Directors) employed by the Group during the year amounted to:

	2018 Number	2017 Number
Sales, management, finance and administration	**238**	254
Operations	**1,552**	1,450
	1,790	1,704

The aggregate payroll costs of the above were:

	2018 £'000	2017 £'000
Wages and salaries	**46,025**	45,387
Social security costs	**4,487**	4,318
Other pension costs (note 27)	**1,291**	1,114
	51,803	50,819

8 Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2018 £'000	2017 £'000
Aggregate emoluments	**837**	834
Value of Group pension contributions to money purchase schemes	**18**	18
	855	852

Emoluments of highest paid Director:

	2018 £'000	2017 £'000
Aggregate emoluments	**371**	370
Value of Group pension contributions to money purchase schemes	**-**	-
	371	370

The number of Directors who accrued benefits under Group pension schemes were as follows:

	2018 Number	2017 Number
Money purchase schemes	**1**	1

The number of Directors who were granted share options during the year was as follows:

	2018 Number	2017 Number
Money purchase schemes	**1**	1

The Statutory Directors are considered to be the key management personnel of the company. The directors' aggregate emoluments in respect of qualifying services for the year are recharged to Group companies.

9 Interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest	28	2
Other interest	-	2
	28	4

10 Interest payable and similar expenses

	2018 £'000	2017 £'000
Bank interest and similar expenses	581	228
Other interest	27	22
Finance leases	3	-
Amounts payable to related undertakings	-	375
	611	625

11 Tax on profit

The tax charge is based on the profit for the year and represents:

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profit for the year at 19.00% (2017: 19.25%)	886	935
Adjustment in respect of prior years	(230)	1
Total current tax charge	656	936
Deferred tax (note 21)		
Origination and reversal of timing differences	153	248
Rate changes	-	(2)
Adjustment in respect of prior years	(197)	(94)
Total tax charge for the year	612	1,088

The tax charge (2017: charge) on the profit for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below.

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	6,866	8,061
Profit for the year multiplied by 19.00% (2017: 19.25%)	1,304	1,552
Items not taxable for tax purposes	(415)	(266)
Rate changes	-	(2)
Accelerated capital allowances/timing differences	(55)	(65)
Permanent timing differences	234	-
Other timing differences	(29)	(38)
Adjustments in respect of prior years	(427)	(93)
Total tax charge for the year	612	1,088

A reduction in the UK Corporation tax rate from 20% to 19% (effective 1 April 2016) and to 18% (effective 1 April 2020) and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on these rates.

12 Profit and loss account of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the year was £2,539,000 (2017: profit £3,881,000).

The parent company's profit for the year includes £2,500,000 of dividends receivable (2017:£4,000,000 received) from subsidiary companies.

13 Intangible fixed assets – Group

	Negative Goodwill £'000	Purchased Goodwill £'000	Computer software/IT infrastructure £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2018	(6,798)	642	5,398	469	(289)
Acquisitions through business combinations	-	14,279	-	-	14,279
Additions	-	-	72	724	796
Transfer	-	-	661	(805)	(144)
At 31 December 2018	**(6,798)**	**14,921**	**6,131**	**388**	**14,642**
Amortisation					
At 1 January 2018	(4,909)	54	2,867	-	(1,988)
Amortisation	(1,889)	589	1,498	-	198
At 31 December 2018	**(6,798)**	**643**	**4,365**	**-**	**(1,790)**
Net book value					
At 31 December 2018	**-**	**14,278**	**1,766**	**388**	**16,432**
At 31 December 2017	(1,889)	588	2,531	469	1,699

Purchased goodwill arose on the acquisitions on (see note 32) and is being amortised on a straight line basis over a period of 10 years which is equal to the period over which the related non-monetary assets of the acquired business are being amortised.

14 Tangible fixed assets – Group

	Long Leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2018	2,508	6,414	694	393	-	10,009
Acquisitions through business combinations	32	401	52	40	149	674
Additions	-	6,276	20	74	-	6,370
Reclassification	1,086	(1,039)	(7)	308	-	348
Transfer	53	(146)	7	230	-	144
At 31 December 2018	**3,679**	**11,906**	**766**	**1,045**	**149**	**17,545**
Depreciation						
At 1 January 2018	252	2,808	285	278	-	3,623
Depreciation	279	1,289	138	113	24	1,843
Reclassification	1,086	(1,039)	(7)	308	-	348
At 31 December 2018	**1,617**	**3,058**	**416**	**699**	**24**	**5,814**
Net Book Value						
At 31 December 2018	**2,062**	**8,848**	**350**	**346**	**125**	**11,731**
At 31 December 2017	2,256	3,606	409	115	-	6,386

Assets under construction of £1,505,000 (2017: £1,156,000) are included in plant and machinery.

The net carrying amount of assets held under finance leases included in motor vehicles is £90,000 (2017: £nil).

15 Investments in subsidiary undertakings – company

Cost	2018 £'000
At 1 January 2018 and 31 December 2018	-
Net book value	-

At 31 December 2018 the company had a majority shareholding in the following entities:

Undertaking	Country of incorporation	Activity	Proportion of Ordinary shares held (%)
Whistl Limited	UK*	Holding Company	100

*Registered office at Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB.

The Directors consider that the value of the investments to be supported by their underlying assets, projections and prospects for the business.

16 Stocks – Group

	2018 £'000	2017 £'000
Finished goods and goods for resale	**431**	-

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying amounts.

17 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	**56,703**	61,522	**-**	-
Amounts owed by Group undertakings	**-**	-	**3,554**	3,559
Deferred tax (note 21)	**2,020**	2,039	**10**	7
Corporation tax receivable	**66**	-	**94**	-
Dividends receivable	**-**	-	**2,500**	-
Accrued Income	**8,545**	6,988	**-**	-
Prepayments	**6,031**	4,609	**-**	-
	73,365	75,158	**6,158**	3,566

Amounts owed by Group undertakings relating to intra group trading are unsecured, interest free and repayable on demand. An impairment provision of £601,000 (2017: £515,000) was recognised against trade debtors.

Deferred tax includes £1,404,000 (2017: £1,043,000) falling due after more than one year.

Details of the company's exposure to credit risk are given in the strategic report.

18 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors	**46,563**	37,485	**-**	-
Finance leases (Note 22)	**41**	-	**-**	-
Corporation tax	**-**	19	**-**	25
Taxation and social security	**18,444**	17,756	**-**	-
Dividends payable	**1,500**	-	**1,500**	-
Other creditors	**830**	-	**-**	-
Deferred Revenue	**621**	1,769	**-**	-
Accruals	**51,301**	46,280	**-**	-
	119,300	103,309	**1,500**	25

Details of the company's exposure to liquidity risk are given in the strategic report.

Other creditors relate to deferred consideration for future amounts payable on acquisitions (see note 32).

Net obligations under finance leases are secured by fixed charges against the assets they relate.

19 Creditors: amounts falling due after one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Finance leases (note 22)	**20**	-	**-**	-
Loan notes	**293**	241	**293**	241
Other creditors	**2,275**	-	**-**	-
	2,588	241	**293**	241

Loan notes are unsecured and interest is charged at a rate of 10%.

Other creditors relate to deferred consideration for future amounts payable on acquisitions (see note 32).

Net obligations under finance leases are secured by fixed charges against the assets they relate.

20 Provisions for liabilities – Group

	Onerous Provision £'000	Total £'000
At 1 January 2018	548	**548**
Utilised in the year	(478)	**(478)**
At 31 December 2018	70	**70**

The onerous provision relates to the termination of certain operating leases and will be utilised in 2019.

21 Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Included in debtors (note 17)	**2,020**	2,039	**10**	7

The movement in the deferred taxation account during the year was

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 January 2018	**2,039**	2,974	**7**	4
Profit and loss account movement arising during the year	**44**	(132)	**3**	3
Acquisitions through business combinations	**610**	(112)	**-**	-
Tax losses utilised	**(673)**	(693)	**-**	-
Changes in tax rate	**-**	2	**-**	-
At 31 December 2018	**2,020**	2,039	**10**	7

Expected net reversal of deferred tax assets and liabilities during 2019:

	Group £'000	Company £'000
At 31 December 2018	**2,020**	10
Profit and loss account movement arising during the year	**(616)**	-
At 31 December 2019	**1,404**	10

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	Group £'000	Group £'000	Company £'000	Company £'000
Capital allowances in excess of depreciation	**564**	885	**-**	-
Tax losses	**1,427**	1,208	**-**	-
Short term timing differences	**29**	(54)	**10**	7
At 31 December	**2,020**	2,039	**10**	7

The Group recognised a net deferred tax asset of £2,020,000 (2017: £2,039,000) relating to reversal of existing differences on tangible fixed assets and corporation tax losses carried forward at 31 December 2018. Management believe that the company will generate sufficient future profits in order to support the recognition of the deferred tax asset.

22 Loans and other borrowings

	2018 £'000	2017 £'000
Finance leases	**61**	-

Finance leases:

	2018 £'000	2017 £'000
Within one year	**43**	-
Within two and five years	**21**	-
After five years	**-**	-
Total gross payments	**64**	-
Less: finance charges	**(3)**	-
Carrying value of liability	**61**	-

Net obligations under finance leases are secured by fixed charges against the assets they relate.

23 Called up share capital and other reserves – Group and company

Share capital – allotted and fully paid in 2018:

	Number	Share Capital £	Share Premium £	Total consideration received £
A Ordinary shares of £0.000001 each	**870,625**	**1**	**172,383**	**172,384**
B Ordinary shares of £0.000001 each	**2,243,576**	**2**	**600,333**	**600,335**
C Ordinary shares of £0.000001 each	**718,416**	**1**	**202,626**	**202,627**
D Ordinary shares of £0.000001 each	**502,788**	**1**	**55,719**	**55,720**
E Ordinary shares of £0.000001 each	**570,384**	**-**	**52,335**	**52,335**
Voting shares of £0.01 each	**250,000**	**2,500**	**1,500**	**4,000**
	5,155,789	**2,505**	**1,084,896**	**1,087,401**

The company has in the past granted employees free shares, the fair value of these has been estimated and no charge has been made to the statement of comprehensive income as this is deemed to be immaterial.

The company issued share capital during the year as presented below;

Date shares issued	A Ordinary shares Number	B Ordinary shares Number	C Ordinary shares Number	D Ordinary shares Number	E Ordinary shares Number	Total consideration received
31 March 2018	-	37,683	12,067	-	(49,750)	-
27 June 2018	-	-	-	-	46,765	-
12 July 2018	-	-	-	-	19,900	-
13 August 2018	-	-	-	-	89,550	-
26 September 2018	-	-	-	-	9,950	-
5 October 2018	-	-	-	-	14,924	26,714
Total	**-**	**37,683**	**12,067**	**-**	**131,339**	**26,714**

Share capital – allotted and fully paid in 2017:

	Number	Share Capital £	Share Premium £	Total consideration received £
A Ordinary shares of £0.000001 each	**870,625**	**1**	**172,383**	**172,384**
B Ordinary shares of £0.000001 each	**2,205,893**	**2**	**582,810**	**582,812**
C Ordinary shares of £0.000001 each	**706,349**	**1**	**197,015**	**197,016**
D Ordinary shares of £0.000001 each	**502,788**	**1**	**55,720**	**55,721**
E Ordinary shares of £0.000001 each	**439,356**	**-**	**48,755**	**48,755**
Voting shares of £0.01 each	**250,000**	**2,500**	**1,500**	**4,000**
	4,975,011	**2,505**	**1,058,183**	**1,060,688**

The share premium account contains the premium arising on issue of equity shares.

The company purchased/(issued) its own shares during the year as follows;

Date	A Ordinary shares Number	B Ordinary shares Number	C Ordinary shares Number	D Ordinary shares Number	E Ordinary shares Number	Total consideration received £
At 31 December 2017	-	-	-	34,825	30,472	34,825
16 February 2018	-	-	-	-	10,261	-
21 August 2018	-	-	-	-	9,950	-
Shares purchased	-	-	-	-	**20,211**	-
12 December 2018	-	-	-	-	(9,950)	-
14 December 2018	-	-	-	-	(9,950)	-
Shares issued	-	-	-	-	**(19,900)**	-
Net movement	-	-	-	-	**311**	-
	-	-	-	**34,825**	**30,783**	**34,825**

The rights attaching to the respective classes of shares are as follows:

Voting
Each holder of Voting shares is not entitled to receive notice of, attend or speak at and vote at all general meetings or on a written resolution. Each voting share is entitled to one vote.

No Ordinary Share confers on its holder any right to receive notice of, attend or speak at any general meeting of the company or carry any voting right.

Dividends
Any profits which the company may determine to distribute in respect of any financial year shall be applied amongst the holders of the Ordinary Shares (pari passu as if the same constituted one class of share). No dividend shall be paid on or in respect of the Voting shares from time to time in issue.

Distributions of capital
On a return of capital on liquidation, winding up, reduction of capital or share buyback, the surplus assets of the company remaining after payment of its liabilities shall be applied in the following order of priority:

- Firstly £10,000 amongst the holders of the Voting Shares pari passu in proportion to the number of Voting Shares held;
- Secondly, amongst the holders of the A Ordinary Shares, the B Ordinary Shares, the C Ordinary Shares, the D Ordinary Shares and the E Ordinary Shares (pari passu as if the same constituted one class of share and pro rata to the amount paid up on the Shares on which the distribution is paid) until each such holder has received, in respect of each A Ordinary Share, B Ordinary Share, C Ordinary Share, D Ordinary Share and E Ordinary Share of which it is the holder, the aggregate of share capital fully paid and share premium in respect of those shares.

The balance shall be distributed amongst the holders of the Ordinary Shares as follows:

- 15% shall be paid to the holders of the A Ordinary Shares pro rata to the number of A Ordinary Shares held; and
- the balance shall be paid to the holders of the B Ordinary Shares, the C Ordinary Shares, the D Ordinary Shares and the E Ordinary Shares pari passu (as if the same constituted one class of share) and in proportion to the number of B Ordinary Shares, C Ordinary Shares, D Ordinary Shares and E Ordinary Shares held by each such holder.

24 Share based payments

Equity settled share option scheme

The Company has an established Unapproved Share Option Scheme under which share options have been granted to certain Directors and employees. The Scheme is an equity-settled share based payment arrangement whereby the employees are granted share options over the company's equity instruments, specifically its Ordinary B, C and E shares of £0.000001 each.

The Scheme includes non-market-based vesting conditions only, whereby the share options may be exercised from the date that they vest until the 10th anniversary of the date of the grant. There are performance-based vesting conditions together with a requirement that the recipient remains in employment with the company.

Share option activity for each of the two years ending 31 December 2018 is presented below:

	31 Dec 2018 Number of options £	31 Dec 2018 Weighted average exercise price £	31 Dec 2017 Number of options £	31 Dec 2017 Weighted average exercise price £
Outstanding at start of the year	169,772	1.40	-	-
Granted during the period	-	-	169,772	1.40
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at end of the year	**169,772**	**1.40**	**169,772**	**1.40**

None of the share options were exercised the year end.		
Weighted average remaining contractual life (in years) of options outstanding at the period end.	**8.7**	**9.7**

The estimated fair value of the share options was calculated by applying a Black-Scholes model. This model is internationally recognised as being appropriate to value employee share schemes.

The model inputs for the options granted during 2017 were as follows:

Exercise price	£1.40
Share price at date of grant	£1.40
Risk-free interest rate	0.5%
Expected volatility	29%-30%
Dividend yield	0%
Contractual life of option (years)	10

Expected volatility was based on historical volatility of comparable listed companies which may not necessarily be the actual outcome.

None of the options were exercisable at the year-end, as none of the conditions have been met.

Share-based payment expense

	2018 £'000	2017 £'000
Expense arising from share-based payment transactions	**-**	15

25 Dividends

	2018 £'000	2017 £'000
Dividends paid	**-**	1,500
Dividends payable	**1,500**	-
	1,500	1,500

No dividend was paid in 2018 (2017: £1.5m paid 28 November 2017, 31.4p per share). The Board approved a dividend of 30.57p per share on 18 December 2018, which was paid on 22 January 2019.

26 Notes to consolidated statement of cash flows

	2018 £'000	2017 £'000
Profit for the financial year	**6,254**	6,973
Adjustments for:		
Tax on profit	**612**	1,088
Net interest expense	**583**	621
Operating profit	**7,449**	8,682
Negative goodwill amortisation	**(1,889)**	(2,266)
Purchased goodwill amortisation	**589**	11
Amortisation of intangible fixed assets	**1,498**	1,956
Impairment of intangible fixed assets	**-**	178
Reversal of impairment of tangible fixed assets	**-**	(550)
Depreciation of tangible fixed assets	**1,843**	1,744
Loss on disposal of fixed assets	**-**	4
Equity settled share-based payment expense	**-**	15
Government grants	**(245)**	(185)
Working capital movements:		
- Decrease in stocks	**84**	-
- Decrease in debtors	**6,784**	3,309
- Increase in payables	**6,125**	6,959
Cash from operating operations	**22,238**	19,857

Analysis of changes in net cash:	At 1 Jan 2018 £'000	Cash flows £'000	At 31 Dec 2018 £'000
Cash at bank and in hand	37,103	3,595	**40,698**

Non-cash transactions

The Group has acquired tangible assets under finance leases £90,000 (2017: £nil) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

26 Notes to company statement of cash flows

	2018 £'000	2017 £'000
Profit for the financial year	**2,539**	3,881
Adjustments for:		
Tax on profit	**(110)**	8
Net interest expense	**27**	22
Dividend received	**(2,500)**	(4,000)
Operating profit/(loss)	**(44)**	(89)
Equity settled share-based payment expense	**-**	15
Working capital movements:		
– Decrease/(increase) in debtors	**5**	(2,614)
Cash from operating operations	**(39)**	(2,688)

27 Pension costs

The Group operates one defined contribution pension scheme. The assets of the scheme are held separately from the company in an independently administered fund. The pension cost charges represent contributions payable by the Group to the fund and amounted to £1,291,000 (2017:£1,114,000).

There were £246,000 accrued pension contributions at 31 December 2018 (2017: £159,000l).

28 Guarantees

The Group is subject to a multilateral guarantee by other Group entities. The ongoing financing needs of the group are provided by a fully committed £65m facility from Royal Bank of Scotland (RBS) for a further 2 years. The facility is divided into a credit and working capital facility of £36m and a supplier guarantee facility of £29m. RBS has a fixed and floating charge over the Group's assets.

An additional £3m supplier guarantee has been provided by Whistl Group Holdings Limited.

29 Related party transactions

Purchases in the year and amounts due by Whistl Group Holdings Limited as at 31 December 2018 to Group related undertakings are disclosed below.

	Purchase/ recharges to Whistl Group 2018 £'000	Amounts due by Whistl Group 2018 £'000	Purchase/ recharges to Whistl Group 2017 £'000	Amounts due by Whistl Group 2017 £'000
PostNL Shore N.V.	**-**	**-**	189	15
PostNL N.V.	**-**	**-**	579	25
Prime Vision B.V.	**82**	**48**	56	5
PostNL Holdings	**-**	**-**	33	33
Total	**82**	**48**	857	78

All transactions are carried out at an arms lengths basis.

The Group has a trading relationship with Lifecycle Marketing (Mother and Baby) Limited in which Nick Wells is a Director. The revenue from transactions with the company for the year ended 31 December 2018 amounted to £1,593,000 (2017: £1,126,000) with an amount of £144,000 (2017: £182,000) due to the Group at the year-end. All transactions were undertaken at arms' length and on normal commercial terms.

The group also has a trading relationship with P2G.Com Worldwide Limited in which James Greenbury is a director. James Greenbury is a director of the company's ultimate parent undertaking, Whistl Group Holdings Limited. The revenue from transactions with the company for the year ended 31 December 2018 amounted to £334,000 (2017: £174,000) with an amount of £11,000 (2017: £29,000) due to the Group at the year-end. The expenditure incurred with the company by the Group for the year ended 31 December 2018 amounted to £11,000 (2017:£13,000) with an amount of £1,000 (2017: £6,000) due to P2G.Com Worldwide Limited by the Group at the year-end.

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

Transactions with Group companies owned at less than 100% are disclosed below;

	Amounts due to the company £'000	Amounts due from the company £'000	Recharges /purchases from the company £'000	Recharges /sales to the company £'000
Whistl Fulfilment (Farnborough) Limited	4,221	-	397	2,637
Whistl Fulfilment (Rushden) Limited	-	4,221	2,637	397

30 Financial commitments: Group

At 31 December, the Group had total future minimum lease payments under non-cancellable operating leases relating to building leases and plant and machinery, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	**11,014**	10,867
Within two and five years	**23,155**	20,436
Over five years	**12,194**	6,897
	46,363	38,200

31 Financial instruments

The Group has the following financial instruments:

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Financial assets at fair value through profit or loss		-		-
Financial assets that are debt instruments measured at amortised cost:				
- Trade debtors (note 17)	56,703		61,552	
		56,703		61,522
Financial assets that are equity instruments measured at cost less impairment.		-		-
Financial liabilities measured at amortised cost:				
- Trade creditors (note 18)	(46,563)		(37,485)	
- Other loans (note 19)	(293)		(241)	
- Other creditors (note 18 & 19)	(3,105)		-	
- Finance leases (note 22)	(61)		-	
		(50,022)		(37,726)

The company has the following financial instruments:

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Financial assets at fair value through profit or loss		-		-
Financial assets that are debt instruments measured at amortised cost:				
- Amounts owed by Group undertakings (note 17)	3,554		3,559	
		3,554		3,559
Financial assets that are equity instruments measured at cost less impairment.		-		-
Financial liabilities measured at amortised cost:				
- Other loans (note 19)	(293)		(241)	
		(293)		(241)

32 Business combinations

Acquisition of subsidiary undertakings

On 1 June 2018, the company acquired the entire issued share capital of Parcelhub Limited and Mail Workshop Limited. The fair value of consideration was £10.5m including acquisition related costs.

On 4 December 2018, the company acquired the entire issued share capital of Spark Ecommerce Group Limited and its wholly owned trading subsidiaries, Spark Response Limited and Spark Etail Limited ("Spark Ecommerce Group"). The fair value of consideration was £5.9m including acquisition related costs.

The acquisitions have been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired by the Group.

Recognised amounts of identifiable assets acquired and liabilities:

	Parcelhub Ltd & Mail Workshop Limited £'000	Spark Ecommerce Group Limited £'000	Book Value £'000
Property, plant and equipment	328	346	674
Stock	5	510	515
Trade receivables	2,133	1,600	3,733
Other debtors	1,099	112	1,211
Cash at bank	1,913	848	2,761
Trade payable	(1,750)	(1,203)	(2,953)
Other creditors	(438)	(766)	(1,204)
Accruals	(598)	(303)	(901)
Creditors due after more than year	-	(2,100)	(2,100)
Corporation tax	(280)	-	(280)
Deferred tax	(58)	668	610
Total identifiable net assets	2,354	(288)	2,066
Goodwill	8,119	6,160	14,279
	10,473	**5,872**	**16,345**
Satisfied by:			
Cash consideration	7,515	5,291	12,806
Deferred consideration	2,703	402	3,105
Acquisition costs	255	179	434
	10,473	**5,872**	**16,345**

Management have estimated the useful life of the goodwill to be 10 years.

Deferred consideration is payable based on the EBIT calculations of the individual companies acquired for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for Parcelhub Limited and years ending 30 June 2019 and 30 June 2020 for Spark Ecommerce Group. The total amounts payable is estimated at £2,703,000 and £402,000 for Parcelhub Limited and Spark Ecommerce Group respectively. The amount recognised in the business combination is based on management's expectation and future forecasts of the EBIT performance for both Parcelhub Limited and Spark Ecommerce Group at the acquisition date.

In the year ended 31 December 2018, revenue of £11,591,000 and a profit before tax of £145,000 were included in the consolidation income statement in respect of Parcelhub Limited and Mail Workshop Limited since the acquisition date.

In the year ended 31 December 2018, revenue of £1,497,000 and a loss before tax of £11,000 were included in the consolidation income statement in respect of Spark Ecommerce Group since the acquisition date.

Prior period acquisition: Whistl Fulfilment Limited (formerly Prism-DM Holdings)

The acquisition of 76% of the shareholding of Whistl Fulfilment Limited in the prior period has been accounted for under the acquisition method. Call and put options were signed to acquire the 24% balance of the shares over two tranches, 14% and 10% respectively.

The options are as follows:

- Whistl UK Limited can call the first 14% between 31 January 2018 and 31 January 2019, the 2nd party being able to put from 1 February 2019 to 28 February 2019. The values associated to the options are based on an EBIT calculations for the year ending 31 January 2018. On 31 January 2018, Whistl UK Limited exercised its option to acquire a further 14% of the issued share capital for a cash consideration of £329,000.
- Whistl UK Limited can call the second 10% between 31 January 2019 and 31 January 2020, the 2nd party being able to put from 1 February 2020 to 28 February 2020. The values associated to the options are based on EBIT calculations for the year ending 31 January 2019.

At the year-end it is not 100% certain that Whistl or the 2nd party will exercise these options. In addition it is not possible to reliably estimate the value that will be paid as this value is based on financial statements post the year-end. Due to this uncertainty no provision has been recognised in these financial statements.

33 Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Country of incorporation	Activity	Proportion of Ordinary shares held (%)	Immediate direct parent undertaking
Whistl Limited	UK *	Holding company	100	Whistl Group Holdings Limited
Whistl Group Limited ^	UK *	Holding company	100	Whistl Limited
Whistl UK Limited ^	UK *	Trading parent company Addressed Downstream Access Mail processing	100	Whistl Group Limited
Whistl North Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Scotland Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl South West Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Midlands Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl London Limited ^ =	UK *	Dormant	100	Whistl UK Limited
Whistl Marketing Service Group Ltd ^	UK *	Holding company - non trading	100	Whistl Group Limited
Whistl (Doordrop Media) Limited ^	UK *	Trading – Unaddressed Mail	100	Whistl Marketing Service Group Limited
Whistl Fulfilment Limited ^	UK *	Holding Company	90	Whistl UK Limited
Whistl Fulfilment (Rushden) Limited ^	UK *	Fulfilment, call centre and data services	90	Whistl Fulfilment Limited
Whistl Fulfilment (Farnborough) Limited ^	UK *	Fulfilment, call centre and data services	90	Whistl Fulfilment Limited
Parcelhub Limited + ^	UK *	Parcel and delivery solutions	100	Whistl UK Limited
Mail Workshop Limited + ^	UK *	Mailing House	100	Whistl UK Limited
Spark Ecommerce Group Limited + ^	UK *	Holding Company	100	Whistl UK Limited
Spark Response Limited + ^	UK *	Ecommerce fulfilment & contact centre services	100	Spark E-commerce Group Limited
Etail Limited + ^	UK *	Trading of organic and ethically sourced products	100	Spark E-commerce Group Limited

* All the above subsidiaries are included in the consolidation, registered office at Meridian House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1TB

^ Entities are indirectly held

= Entity exempt from audit

+ Entities acquired during the financial year ended 31 December 2018.

34 Ultimate controlling party

There is no ultimate controlling party.

Directors and Advisors for the year ended 31 December 2018

Directors
N Wells
N Polglass
M Parmar
J Greenbury

Company secretary
J Evans

Registered office
Meridian House
Fieldhouse Lane
Marlow
Buckinghamshire
SL7 1TB

Independent auditor
KPMG LLP
Chartered Accountants and Statutory Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Banker
National Westminster Bank plc
1 St Philips Place
Birmingham
West Midlands
B3 2PP

Solicitor
Field Seymour Parkes
1 London Street
Reading
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whistl