

G3 WORLDWIDE MAIL (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



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A handwritten signature in black ink, consisting of a stylized, cursive letter 'S' or 'J' with a long, sweeping tail that extends upwards and to the right.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

The Directors present their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The principal activity during the year was the provision of international re-mailing services. The directors do not envisage any material departure from this activity in the foreseeable future.

BUSINESS REVIEW

Despite continued challenging economic conditions the business has identified and developed within sectors which have allowed increase in performance year on year.

RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £2,777,000 (2011 - £523,000)

No interim dividend has been paid in the year (2011 £Nil). The Directors recommend that no dividend be paid (2011 £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them.

Competition

The company along with its fellow overseas subsidiaries operates in a highly competitive market particularly around price and service quality. This results not only in downward pressure on our margins but also that we will not meet our customer's expectations. In order to mitigate this risk our sales and commercial teams monitor market prices on an ongoing basis. Furthermore, we undertake routine market research to understand our customers' expectations and whether their needs are being met.

Employees

The companies' performance depends largely on both its managers and staff, and on those of its fellow subsidiaries. The resignation of key individuals and the inability to recruit people with the right experience from local communities could adversely impact the results. To mitigate these issues the company has in place human resource policies including training, retention and succession planning programs for all employees and have implemented schemes linked to the results that are designed to retain key individuals.

EMPLOYEES

Applications for employment from disabled persons are always fully considered and a careful assessment made of their aptitudes and abilities in the context of the job requirements. In the event of an employee becoming disabled, every effort is made to ensure that either they are retained in their existing role or a more suitable role is identified. The directors acknowledge their responsibilities in communicating relevant information to the company's employees and to assist in developing their full potential. The company operates a number of initiatives designed to develop its employees' understanding of critical business factors which affect the performance of the company and maintains regular communication through the circulation of frequent bulletins and periodic magazines.



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

KEY PERFORMANCE INDICATORS ("KPIs")

The economic downturn has impacted on the Company's results but progress has still been made in the year on the companies' objective of consolidating and only undertaking profitable work. The board monitors progress on the individual elements by reference to KPIs including the following

Performance during the year, together with historical trend data is set out in the table below

	2012	2011	Definition, method of calculation and analysis
Growth in sales (%)	35.7	48.7	Year on year sales growth expressed as a percentage
Operating margin (%)	10.9	2.8	Operating margin is the ratio of operating profit to sales expressed as a percentage

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a number of financial risks that include price risk, credit risk, liquidity risk and foreign exchange risk. The Company has in place a risk management policy that seeks to minimise any adverse effects on the financial performance of the Company. The policies set by the Board of Directors are implemented by the Company's finance department as required.

Price risk

The Company is exposed to price risk particularly in areas such as postal and transportation charges together with utilities and other services. Cost increases are reviewed and long-term price rises to the business are passed through pricing action when appropriate.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company uses third party online credit evaluations as well as Companies House information, including latest financial statement submissions.

Liquidity risk

The Company actively manages its working capital requirements to ensure that it has sufficient funds for its operations. The requirement for medium and long term debt finance will be reviewed by the board of directors based on the Company's forecasts.

Foreign exchange risk

The company income is subject to changes in exchange rates. The board manages this risk on a wider group basis and is satisfied that there are no significant risks arising.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were

J Stammer
E JF Van Noten
S Vydianathan

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



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

SUPPLIER PAYMENT POLICY

The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is Company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms. It is Company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirements of the Companies Act is 12 days (2011: 7 days).

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

This report was approved by the board on 30 August 2013 and signed on its behalf



J Stammer
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 WORLDWIDE MAIL (UK) LIMITED

We have audited the financial statements of G3 Worldwide Mail (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

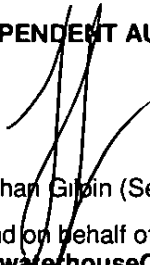
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G3 WORLDWIDE MAIL (UK) LIMITED



Jonathan Gilpin (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Milton Keynes

30 August 2013

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £000	2011 £000
TURNOVER	1	25,835	19,038
Cost of sales		<u>(20,094)</u>	<u>(15,712)</u>
GROSS PROFIT		5,741	3,326
Administrative expenses		<u>(2,921)</u>	<u>(2,790)</u>
OPERATING PROFIT	2	2,820	536
Interest receivable and similar income	5	-	3
Interest payable and similar charges	6	<u>(76)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,744	539
Tax on profit on ordinary activities	7	<u>33</u>	<u>(16)</u>
PROFIT FOR THE FINANCIAL YEAR	13	<u>2,777</u>	<u>523</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

The notes on pages 9 to 16 form part of these financial statements



REGISTERED NUMBER. 00545421

**BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Tangible assets	8		7		18
CURRENT ASSETS					
Debtors	9	9,531		5,996	
Cash at bank and in hand		101		189	
		<u>9,632</u>		<u>6,185</u>	
CREDITORS: amounts falling due within one year	11	(5,770)		(5,111)	
NET CURRENT ASSETS			<u>3,862</u>		<u>1,074</u>
NET ASSETS			<u>3,869</u>		<u>1,092</u>
CAPITAL AND RESERVES					
Called up share capital	12		895		895
Share premium account	13		8,329		8,329
Profit and loss account	13		(5,355)		(8,132)
TOTAL SHAREHOLDERS' FUNDS	14		<u>3,869</u>		<u>1,092</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 August 2013



J Stammer
Director

The notes on pages 9 to 16 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the UK and in accordance with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Turnover

Turnover comprises revenue recognised by the Company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts.

Sales revenue is recognised upon the dispatch of mail.

All revenue originates in the United Kingdom.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

S/Term Leasehold Property	-	over the period of the lease
Plant & machinery	-	3-8 years

1.4 Deferred taxation

Corporation tax payable is provided for at the current standard effective rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Discounting has not been applied in the measurement of deferred tax.

1.5 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and all such gains or losses are included in the profit and loss account.

1.6 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.8 Claims

Provision is made for claims for loss or damage arising in respect of goods carried or in transit prior to the accounting date

1.9 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

2. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012	<i>As restated</i>
	£000	<i>2011</i>
		<i>£000</i>
Depreciation of tangible fixed assets		
- owned by the company	15	<i>16</i>
Auditors' remuneration	15	<i>17</i>
Operating lease rentals		
- plant and machinery	81	<i>69</i>
- other operating leases	258	<i>258</i>
Difference on foreign exchange	(19)	<i>22</i>
	=====	<i>=====</i>

Fees paid to the current auditors, PricewaterhouseCoopers LLP, for UK non-audit services during the year amounted to £nil (2011 £nil)



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3. DIRECTORS' EMOLUMENTS

	2012 £000	2011 £000
Directors' remuneration		
Aggregated emoluments	184	178
Company contributions to money purchase schemes	<u>10</u>	<u>9</u>
	<u>194</u>	<u>187</u>
	Number	Number
Number of directors' who are Members of money purchase pension schemes	<u>2</u>	<u>2</u>

The remuneration for EJJ Van Noten is borne by fellow group companies and none of it is recharged to G3 Worldwide Mail (UK) Limited

During the year amounts accruing to directors under defined benefit schemes amounted to £nil (2011 £nil)

4. STAFF COSTS

Staff costs were as follows

	2012 £000	2011 £000
Wages and salaries	1,446	1,421
Social security costs	142	116
Other pension costs	53	50
	<u>1,641</u>	<u>1,587</u>

The average monthly number of employees, including the Directors, during the year was as follows

	2012 No.	As restated 2011 No
Mail	<u>67</u>	<u>69</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £000	2011 £000
Bank interest	<u>-</u>	<u>3</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000	2011 £000
On bank loans and overdrafts	10	-
Interest payable to group undertakings	66	-
	<u>76</u>	<u>-</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £000	2011 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	1
Adjustments in respect of prior years	(1)	2
Total current tax	<u>(1)</u>	<u>3</u>
Deferred tax		
Origination and reversal of timing differences	(32)	13
Tax on profit on ordinary activities	<u>(33)</u>	<u>16</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>2,744</u>	<u>539</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	672	143
Effects of		
Expenses not deductible for tax purposes, other than goodwill	8	1
Utilisation of tax losses	(680)	(143)
Adjustments in respect of prior years	(1)	2
Current tax (credit)/charge for the year (see note above)	<u>(1)</u>	<u>3</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

With effect from 1 April 2012 the main rate of corporation tax was reduced from 26% to 24%

The Finance Act 2012 includes legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and the deferred tax liability at 31 December 2012 has been re measured accordingly

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 (enacted in Finance Act 2013 in July 2013). These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

8. TANGIBLE FIXED ASSETS

	S/Term Leasehold Property £000	Plant & machinery £000	Total £000
Cost			
At 1 January 2012	257	163	420
Additions	2	2	4
Disposals	-	(19)	(19)
At 31 December 2012	<u>259</u>	<u>146</u>	<u>405</u>
Accumulated depreciation			
At 1 January 2012	242	160	402
Charge for the year	13	2	15
On disposals	-	(19)	(19)
At 31 December 2012	<u>255</u>	<u>143</u>	<u>398</u>
Net book value			
At 31 December 2012	<u>4</u>	<u>3</u>	<u>7</u>
<i>At 31 December 2011</i>	<u>15</u>	<u>3</u>	<u>18</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

9. DEBTORS

	2012	2011
	£000	£000
Trade debtors	2,973	2,636
Amounts owed by group undertakings	6,335	2,899
Other debtors	10	59
Prepayments and accrued income	180	240
Corporation tax debtor	1	-
Deferred tax debtor (see note 10)	32	-
Amounts owed by consortium members for group relief surrendered	-	162
	9,531	5,996

10. DEFERRED TAXATION

	Recognised short term timing differences - pension provision £000	Recognised capital allowances more than depreciation £000	Recognised losses carried forward £000	Total £000
At 1 January 2012	-	-	-	-
Movement in year	<u>2</u>	<u>15</u>	<u>15</u>	<u>32</u>
At 31 December 2012	<u>2</u>	<u>15</u>	<u>15</u>	<u>32</u>

The deferred tax asset was not recognised previously. The brought forward unrecognised amounts at 1 January 2012 were capital allowances of £18,000 and losses of £713,000. There are sufficient future taxable profits against which the deferred tax assets can be offset and these are therefore now recognised in full.

**11. CREDITORS:
Amounts falling due within one year**

	2012	<i>As restated</i> 2011
	£000	£000
Trade creditors	576	461
Amounts owed to group undertakings	2,663	1,811
Other taxation and social security	415	356
Accruals and deferred income	2,116	2,483
	5,770	5,111

12. CALLED UP SHARE CAPITAL

	2012	2011
	£000	£000
Allotted, called up and fully paid		
895,003 (2011: 895,003) Ordinary shares of £1 each	895	895

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

13. RESERVES

	Share premium account £000	Profit and loss account £000
At 1 January 2012	8,329	(8,132)
Profit for the financial year	-	2,777
	<u>8,329</u>	<u>(5,355)</u>
At 31 December 2012		

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	1,092	569
Profit for the financial year	2,777	523
	<u>3,869</u>	<u>1,092</u>
Closing shareholders' funds		

15. PENSION COMMITMENTS

The company participates in the TNT UK Limited Group Pension Scheme, which is a defined contribution scheme. The assets of the scheme are held separately from the company in independently administered funds. The pension cost charge for the year represents contributions payable by the company to the funds and amounted to £53,133 (2011 £49,970). The pension commitment accrual as at 31 December 2012 is £8,764 (2011 £8,664).

16. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Plant and equipment	
	2012 £000	2011 £000	2012 £000	2011 £000
Expiry date.				
Within 1 year	11	-	-	-
Between 1 and 5 years	-	258	47	23
	<u>11</u>	<u>258</u>	<u>47</u>	<u>23</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

17 RELATED PARTY TRANSACTIONS

The company is controlled by G3 Worldwide Mail NV, its immediate parent undertaking. The ultimate parent undertaking and controlling party is PostNL NV.

The company, being a wholly owned company being controlled within G3 Worldwide Mail NV, is exempt from the requirement under the terms of FRS 8 "Related party disclosures" to disclose transactions with entities that are part of this group or investees of this group qualifying as exempt related parties.

G3 Worldwide Mail NV is the smallest group in which the financial statements of the company are consolidated. Copies of these financial statements may be obtained from the registered office of G3 Worldwide Mail NV at Wisselwerking 58, 1112 XS Diemen, The Netherlands.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

G3 Worldwide Mail NV, was a joint venture company until 2 April 2013 where the controlling interest of 67.55 per cent was held by PostNL NV. The other party was Royal Mail Holdings PLC which held 32.45 per cent of the shareholding. Effective 2 April 2013 PostNL NV took full ownership.

The ultimate parent undertaking and controlling party of G3 Worldwide Mail (UK) Limited is PostNL NV, a company incorporated in The Netherlands. Copies of the consolidated financial statements of PostNL NV that include G3 Worldwide Mail (UK) Limited may be obtained from PostNL Investor Relations, Prinses Beatrixlaan 23, 2595 The Hague, The Netherlands.

