

Annual Report and Financial Statements G3 Worldwide Mail (UK) Limited

For the year ended 31 December 2016

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COMPANIES HOUSE

Registered number: 00545421

Company Information

Directors	A O'Halloran S Ferguson
Company secretary	A O'Halloran
Registered number	00545421
Registered office	Unit 9 Trident Way International Trading Estate Southall UB2 5LF United Kingdom
Independent auditor	Ernst & Young LLP Chartered Accountants & Statutory Auditor 1 More London Place London SE1 2AF

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Strategic Report

For the year ended 31 December 2016

The Directors present their strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity during the year was the provision of international mail and parcel services. The directors do not envisage any material departure from this as principal activity in the foreseeable future. The combination of mail and parcel services provides a comprehensive and integrated set of international logistics solutions to our customers.

BUSINESS REVIEW

The business faced continued challenging economic and market conditions in the year 2016. However the business was able to achieve some revenue growth 0.5% in the year. The reduction in our core mail business was off-set with revenues from the e-commerce market in line with the business strategy to grow e-commerce in replacement of traditional mail. The business ended 2016 with an increased e-commerce market share and reduced reliance on its Wholesale business, which provides a platform for more stable growth in future years.

However operating margins were significantly impacted by exchange rate movements in the year, particularly the Euro. Postage costs are the main costs of the business and majority of these are in Euro denominated contracts. Also shared costs allocated by the group are Euro denominated. Therefore significant adverse movements in the Euro exchange rate impact these costs. In line with group policy, 75% of the expected Euro exposure each month is hedged at the beginning of the trading year. This mitigates most of the impact of exchange rate movements. However not all of the expected risk is hedged as per policy and actual exposure was higher than expected in Q4 due to higher revenues and increased spend on Euro denominated contracts. The unhedged exposure was at its highest in the months where exchange rate was at lowest v prior years. Therefore despite the hedging policy implemented in 2016 operating costs were still significantly impacted by exchange rate movements in 2016.

Due to the exchange rate impacts during the year, the business was loss making in 2016. However the directors view the business as well positioned to deliver its strategic plans to grow its e-commerce market share, as well as continuing to protect traditional mail revenues. Margins will continue to be impacted in 2017 but with continued growth in revenues, targeted margin improvement and cost reduction actions they expect the business to return to profitability by end of 2017.

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. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

Competition

The company along with its fellow Post NL group overseas subsidiaries operates in a highly competitive market, particularly around price and service quality. 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. By remaining price competitive on our customers' key volume mail destinations and maintaining high delivery standards, competitive risk is mitigated.

Strategic Report (continued)

For the year ended 31 December 2016

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Employees

The company's performance depends largely on both its employees and on those of its fellow Post NL group companies. 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 risks 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. This has resulted in many employees, including most of the management team, having a number of years of service with the business.

KEY PERFORMANCE INDICATORS

The board monitors progress of the business by reference to KPIs.

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

KPI	2016	2015	Explanation of movement
Revenue Growth %	0.5%	(8.5%)	Loss of revenue in traditional mail market off-set by growth in e-commerce in the year result in small increase in total revenue against prior year.
Operating margin %	(2.2%)	7.1%	Exchange rate movements in Euro denominated postal contracts significantly unfavourable in 2016 not fully covered by FX Hedging in line with group policy of hedging 75% of expected Euro exposure.
Administration as % of sales	16.08%	13.4%	Increased cost in functional currency for share of group allocated costs based in Euros.

The board also monitors other KPIs, such as:

- Postage as a percentage of revenue
- Revenue per kilo of postage
- Postage cost per kilo

But due to their commercial sensitivity, these are not included in this report.

BUSINESS STRATEGY

The UK international mail market is highly competitive as high volume customers are very price sensitive and so deviations from the market lead to a quick switch by customers. Due to these market conditions, the board strongly believes in a focused market approach and this is reflected in the business strategy. The key areas of the business strategy are outlined as follows:

Targeted market segments

The strategy of the business is not to target every potential customer or segment but only target segments where we see the business offers a price and/or service advantage to those customers and segments.

Strategic Report (continued)

For the year ended 31 December 2016

BUSINESS STRATEGY (continued)

Traditional mail

The board recognises that the UK traditional mail market is substantial but very competitive. Opportunities exist with potential clients who currently utilise main mail providers but the client's volumes have grown to a size that better prices and dedicated account management can incentivise the customer to switch mail providers. To stay competitive in traditional mail market the business focuses on cooperation with fellow Post NL group companies to define and deliver attractive mail destinations and services.

Expansion of mail wholesalers

The business has been very successful over the past few years in attracting volume from wholesale mail companies in specific mail destinations. It is competitive in key high volume destinations. To stay competitive in the wholesale mail market the business focuses on cooperation with fellow Post NL group companies to define and deliver attractive mail destinations and services.

e-Commerce market

The business has already established some market share of e-commerce volume. The business intends to step by step grow this market share. The board sees opportunities in the international parcels market with smart direct entry injections in local parcel networks. Newly developed IT platforms and integrated product offerings support e-commerce clients through 'closed loop' Forward and Reverse Logistics solutions. The Post NL group has also implemented new tracked products specifically tailored for the e-commerce market. The business is now offering these tracked products to the market, which are key to planned growth in the e-commerce market. The delivery of these integrated solutions into the e-commerce market will help the business to grow its share of the market over the next two to three years.

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 the areas such as postal and transportation charges in its cost of sales and utilities and other services in its administration costs. Cost of sales increases are reviewed and long term price rises to the business are passed through pricing action when appropriate in line with overall mail market. Administration costs are closely monitored and through competitive tendering and robust purchasing controls, the overall cost base of the business is kept low.

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 and recommended credit limits as well as Companies House information, including latest financial statement submissions, to ensure trade debt levels are maintained within credit limits, therefore maintaining credit risk within approved levels.

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. The business has no debt and significant funds held with Post NL group companies. Therefore has minimal liquidity risk while business trades profitably.

Strategic Report (continued)

For the year ended 31 December 2016

FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk

The company's revenue has exposure to movements in exchange rates, particularly the Euro, as revenue is almost all in its functional currency, but a significant proportion of its postage costs are in Euros. Each year in line with group policy to mitigate this foreign exchange risk within all subsidiary entities, the company enters hedge transactions for 75% of forecast Euro exposure for each month of the next trading year. The hedge transactions mitigate the company's exposure to movements in the Euro exchange up to the accepted risk level.

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 9.1 days (2015: 16.0 days).

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.

This report was approved by the board on 19th September 2017 and signed on its behalf.



A O'Halloran
Director

Directors' Report

For the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £617k (2015 – profit £1,518k).

No interim dividend has been paid in the year (2015: £nil). The Directors recommend that no final dividend will be paid (2015: £7,753,000). The prior year recommended final dividend of £7,753,000 was paid in October 2016.

In October 2016 a Special Resolution was passed to cancel and extinguish the Share Premium account of £8,329,000 and the sum credited to the profit and loss account of the Company in pursuant to section 641(1)a of the Companies Act 2006. The addition to the profit and loss account was distributed as a dividend.

GOING CONCERN

The balance sheet shows that the company has net assets of £476,082 (2015: £9,026,000). The reduction in net assets is due to dividend distribution of £7,753,000 in the year. The company also made a loss within the year, with a loss after tax of £617,457 (2015: profit after tax £1,518,000). Due to continued impact of exchange rates on margins and overhead costs, the directors expected the company will continue to be loss making in 2017. However with continued growth in revenues, targeted margin improvement and cost reduction actions they expect the business to return to profitability by end of 2017 and beyond. Support will be available from the ultimate parent co. Post NL NV for at least 12 months from the date of signing of Directors' Report and for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis, and do not consider there to be any significant uncertainty in this regard.

EVENTS AFTER THE REPORTING PERIOD

G3 Worldwide Logistics (UK) Ltd a 100% owned subsidiary of G3 Worldwide Mail (UK) Ltd entered voluntary liquidation on 22nd November 2016. Subsequent to the reporting period the investment in this subsidiary was fully disposed. The difference between Net Assets and £1 was received as dividend from the fully dissolved subsidiary on the 8th August 2017.

DIRECTORS

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

A O'Halloran

W Hijzen (Resigned 31 December 2016)

S Ferguson (Appointed 7 November 2016)

Directors' Report (continued)

For the year ended 31 December 2016

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

Financial risk management

The company's assessment and response to financial risk is set out within the strategic report on page 3.

Charitable and political contributions

No charitable or political donations have been paid in the year (2015: £Nil).

Disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- so far as each 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 relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

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

This report was approved by the board on 19th September 2017 and signed on its behalf.



A O'Halloran
Director

Statement of Directors' Responsibilities

For the year ended 31 December 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of G3 Worldwide Mail (UK) Limited

We have audited the financial statements of G3 Worldwide Mail (UK) Limited for the year ended 31 December 2016 which comprise the Income Statement, Statement of comprehensive income, Balance Sheet, Statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistency, 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland; 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, based on the work undertaken in the course of the audit:

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

Independent auditor's report to the members of G3 Worldwide Mail (UK) Limited

(continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
19th September 2017

Income Statement

For the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	1,2	26,774	26,628
Cost of sales		<u>(23,058)</u>	<u>(21,013)</u>
Gross profit		3,716	5,615
Administrative expenses		<u>(4,304)</u>	<u>(3,725)</u>
Operating (loss)/profit	3	(588)	1,890
Interest payable and similar charges	7	<u>(211)</u>	<u>2</u>
(Loss)/Profit on ordinary activities before taxation		(799)	1,892
Tax on (loss)/profit on ordinary activities	8	<u>182</u>	<u>(374)</u>
(Loss)/Profit for the financial year	15	<u><u>(617)</u></u>	<u><u>1,518</u></u>

All amounts relate to continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

Statement of Comprehensive Income**For the year ended 31 December 2016**

	2016	2015
	£000	£000
(Loss)/Profit for the financial year	(617)	1,518
Fair Value (Gains)/Losses on Cash Flow Hedges	(217)	461
Tax on Components of Other Comprehensive Income	37	(83)
Other Comprehensive (Loss)/Income for the Year	(180)	378
Total Comprehensive (Loss)/Income for the Year	(797)	1,896

Balance Sheet

As at 31 December 2016

	Note	£000	2016 £000	2015 £000
Fixed assets				
Tangible assets	9		208	203
Investments	10		-	15
			<u>208</u>	<u>218</u>
Current assets				
Debtors	11	7,556		16,939
Cash at bank and in hand		<u>33</u>		<u>51</u>
		7,589		16,990
Creditors: amounts falling due within one year	12	<u>(7,321)</u>		<u>(8,182)</u>
Net current assets			<u>268</u>	<u>8,808</u>
Net assets			<u>476</u>	<u>9,026</u>
Capital and reserves				
Called up share capital	14		895	895
Share premium account	15		-	8,329
Cash Flow Hedge Reserve	15		198	378
Profit and loss account	15		<u>(617)</u>	<u>(576)</u>
Total shareholders' funds	16		<u>476</u>	<u>9,026</u>

The financial statements on pages 10 to 27 were approved by the Board of Directors on 19th September 2017 and signed on its behalf by



A O'Halloran
Director

The notes on pages 14 to 27 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Cash flow hedge reserve £000	Total shareholders' funds £000
At 1 January 2016	895	8,329	(576)	378	9,026
Share premium write off P&L account	-	(8,329)	8,329	-	-
(Loss)/Profit for the financial year	-	-	(617)	-	(617)
Dividend Paid	-	-	(7,753)	-	(7,753)
Cash Flow Hedges	-	-	-	(180)	(180)
At 31 December 2016	895	-	(617)	198	476

For the year ended 31 December 2015

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Cash flow hedge reserve £000	Total shareholders' funds £000
At 1 January 2015	895	8,329	(2,094)	-	7,130
Profit for the financial year	-	-	1,518	-	1,518
Cash Flow Hedges	-	-	-	378	378
At 31 December 2015	895	8,329	(576)	378	9,026

The notes on pages 14 to 27 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting Policies

1.1 Basis of preparation of financial statements

G3 Worldwide Mail (UK) Limited is a limited liability company incorporated in England. The Registered Office is Unit 9 Trident Way, International Trading Estate, Southall, UB2 5LF. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 102 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements of the Company are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue as a going concern for the foreseeable future. As such the company continues to adopt the going concern basis in preparing the annual report and financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also required management to exercise judgement in applying company accounting policies. Refer to note 19.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland';

- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [FRS 102 paras 11.39 -11.48A, 12.26 – 12.29]. This exemption is not available to financial institutions as defined in the FRS 102 Glossary. In addition the company law disclosures are still required;
- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17;(d)

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 and machinery	-	3 - 8 years

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.5 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

1.6 Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

1.7 Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.8 Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

1.9 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 rates of exchange ruling at the balance sheet date, and all such gains or losses are included in the Profit and loss account.

1.10 Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, 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 measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

ii) Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Derivatives including interest rate swaps and forward foreign exchange contracts are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

iii) Hedging Arrangements

The company has elected to apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are designated as cash flow hedges of the highly probable forecast transactions.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

(Continued)

Changes in the fair values of derivatives designated as cash flow hedges, which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in the fair value of the hedging instrument since the inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable or the hedging instrument is terminated.

1.11 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.

1.12 Operating leases

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

1.13 Claims

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

1.14 Consolidation

The financial statements contain information about G3 Worldwide Mail (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, G3 Worldwide Mail N V, a company registered within The Netherlands.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

2. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

All turnover arose within the United Kingdom.

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the company	67	57
Operating lease rentals:		
- plant and machinery	81	112
- other operating leases	218	264
Dividend received from subsidiary:	<u>(76)</u>	<u>-</u>

4. Auditors' remuneration

	2016 £000	2015 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	<u>20</u>	<u>23</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	1,966	1,938
Social security costs	175	244
Other pension costs	80	92
	<u>2,221</u>	<u>2,274</u>

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

2016 Number	2015 Number
<u>72</u>	<u>78</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. Directors' remuneration

	2016 £000	2015 £000
Remuneration	<u>171</u>	<u>210</u>
Company pension contributions to defined contribution pension schemes	<u>9</u>	<u>12</u>

The number of directors' who are members of the money purchase pension scheme is 2 (2015: 3).

During the year, amounts accruing to directors under defined benefit schemes amounted to £nil (2015: £nil).

The remuneration for W Hijzen is borne by other group companies and none of it is recharged to G3 Worldwide Mail (UK) Limited.

7. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable to group undertakings	-	12
Foreign Exchange Movements	87	43
Fair Value Loss/(Gain) on Unhedged Derivatives	<u>124</u>	<u>(57)</u>
Total Interest Receivable/(Payable)	<u>211</u>	<u>(2)</u>

8. Tax on (loss)/profit on ordinary activities

	2016 £000	2015 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	<u>(83)</u>	<u>370</u>
Total current tax	<u>(83)</u>	<u>370</u>
Deferred tax		
Origination and reversal of timing differences	(116)	4
Effect of increased tax rate on opening liability	17	-
Prior year adjustment	<u>-</u>	<u>-</u>
Total deferred tax (see note 13)	<u>(99)</u>	<u>4</u>
Tax on (loss)/profit on ordinary activities	<u>(182)</u>	<u>374</u>

Notes to the Financial Statements (continued)**For the year ended 31 December 2016****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
(Loss)/Profit on ordinary activities before taxation	<u>(799)</u>	<u>1,892</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(160)	383
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	2
Adjustments in respect of prior periods	(83)	(13)
Tax rate changes	17	-
Recognised in OCI	43	-
Short term timing difference	-	2
Rounding to Tax rate changes	(1)	-
Current tax charge/credit for the year (see note above)	<u>(182)</u>	<u>374</u>

Factors that may affect future tax charges

The July 2015 Budget Statement announced changes (which were subsequently enacted) to the UK Corporation Tax regime which will reduce the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020. A further change was announced in the March 2016 budget to further reduce the Corporation Tax rate to 17% by 1 April 2020, which has yet to be substantively enacted.

Accordingly, deferred tax has been calculated using a tax rate of 17%.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

9. Tangible assets

	S/Term Leasehold Property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2016	519	176	695
Additions	28	44	72
Disposals	-	-	-
At 31 December 2016	<u>547</u>	<u>220</u>	<u>767</u>
Accumulated depreciation			
At 1 January 2016	340	152	492
Charge for the year	51	16	67
Disposals	-	-	-
At 31 December 2016	<u>391</u>	<u>168</u>	<u>559</u>
Net book value			
At 31 December 2016	<u>156</u>	<u>52</u>	<u>208</u>
At 31 December 2015	<u>179</u>	<u>24</u>	<u>203</u>

10. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016 – stated at cost	<u>15</u>
Additions	-
Disposals	15
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>15</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

10. Fixed asset investments**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
G3 Worldwide Logistics (UK) Ltd (formerly TNT Post Parcel Services Limited)	Ordinary shares	100%

The company acquired the shares of G3 Worldwide Logistics (UK) Ltd (formerly TNT Post Parcel Services Limited) on 30 August 2013 for £15,215. This is the net assets acquired as at that date.

G3 Worldwide Logistics (UK) Ltd (formerly TNT Post Parcel Services Limited) provided international b2b parcel services. It is incorporated in England and Wales.

G3 Worldwide Logistics (UK) Ltd entered voluntary liquidation on 22nd November 2016. A dividend of (£76,085.33) which was equal to the net assets less £1 was paid to the shareholder prior to entering liquidation.

The company was formally dissolved on the 8th August 2017. The directors believe that the carrying value of the investment is supported by their underlying net assets.

11. Debtors

	2016	2015
	£000	£000
Trade debtors	3,871	2,470
Amounts owed by group undertakings	2,879	13,817
Other debtors	16	6
Prepayments and accrued income	387	71
Derivative financial instruments	180	575
Income tax receivable	223	-
	7,556	16,939

Derivative financial instruments – Forward contracts

The company enters into forward foreign currency contracts to mitigate the exchange rate risk associated with the sales and purchases denominated in foreign currencies. At 2 January 2017, the outstanding contracts all mature within 12 months of the year end. The company is committed to buy €9.2m (2015: €14.1m) and pay a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:EUR. The fair value of the forward foreign currency contracts is £180,274 (2015: £518,000). Forward foreign exchange contracts are held in cash flow hedges. No ineffectiveness (2015: no instruments held) was noted on cash flow hedged during the year and no gains/losses were recycled to the income statement during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

12. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	505	61
Amounts owed to group undertakings	2,866	4,148
Other creditors	-	57
Corporation tax	(6)	194
Other taxation and social security	581	639
Accruals and deferred income	3,323	2,999
Deferred tax liability (see note 13)	52	84
	<u>7,321</u>	<u>8,182</u>

13. Deferred tax liability

	2016 £000	2015 £000
At beginning of year	84	3
Credited for year (P&L)	(99)	(4)
Credited for the year (OCI)	(37)	(83)
At end of year	<u>(52)</u>	<u>(84)</u>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(8)	(1)
Short term timing differences - pension provision	41	-
Movements on Cash Flow Hedges	(85)	(83)
	<u>(52)</u>	<u>(84)</u>

14. Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
895,003 (2015: 895,003)- Ordinary shares of £1 each	<u>895</u>	<u>895</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

15. Reserves

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Cash flow hedge reserve £000	Total shareholders' funds £000
At 1 January 2016	895	8,329	(576)	378	9,026
Share premium reserves write-off	-	(8,329)	8,329	-	-
Profit for the financial year	-	-	(617)	-	(617)
Cash flow hedges	-	-	-	(180)	(180)
Dividend Paid	-	-	(7,753)	-	(7,753)
At 31 December 2016	<u>895</u>	<u>-</u>	<u>(617)</u>	<u>198</u>	<u>476</u>

In October 2016 a Special Resolution was passed to cancel and extinguish the Share Premium account of £8,329,000 and the sum credited to the profit and loss account of the Company in pursuant to section 641(1)a of the Companies Act 2006.

16. Reconciliation of movements in shareholders' funds

	2016 £000	2015 £000
Opening shareholders' funds	9,026	7,130
Cash Flow Hedges	(180)	378
Dividend Paid	(7,753)	-
(Loss)/Profit for the financial year	<u>(617)</u>	<u>1,518</u>
Closing shareholders' funds	<u>476</u>	<u>9,026</u>

A final dividend of £7,753,000 was paid during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. Pension commitments

The company participates in the G3 Worldwide Mail (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 £80,260 (2015: £92,178). The pension commitment accrual as at 31 December 2016 is £12,151 (2015: £32,420).

18. Operating lease commitments

The Company has entered into commercial leases on certain properties, equipment and vehicles. These leases have an average life of between 1 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these contracts. At 31 December 2016 the company had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2016	2015	2016	2015
	£000	£000	£000	£000
Expiry date:				
Within 1 year	239	-	68	11
Between 2 and 5 years	<u>488</u>	<u>237</u>	<u>76</u>	<u>38</u>

19. Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

20. 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, has availed exemptions under FRS 102 1.12 (e) not to present such disclosure.

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.

21. 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 percent was held by PostNL NV. The other party was Royal Mail Holdings PLC which held 32.45 percent 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.

22. Events after the reporting period

G3 Worldwide Logistics (UK) Ltd, a 100% owned subsidiary of G3 Worldwide Mail (UK) Ltd entered voluntary liquidation on 22nd November 2016. The subsidiary was dissolved on the 8th August 2017.