

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

For the year ended 31 December 2017



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
Statutory Auditor
1 More London Place
London
SE1 2AF

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Strategic Report

For the year ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017.

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 2017. Revenue has declined by 9.94% from 2016. This was due to the decline of traditional mail business not been fully offset by growth in revenues from the e-commerce market. The business ended 2017 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.

Gross profit margin reduced from 13.9% in 2016 to 12.7% in 2017. This was due to unfavourable exchange rate movements and reduced options in alternative postage contracts. 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, 25% of the expected risk is unhedged as per policy and operating margins were impacted by the unhedged Euro spend. Also during the year use of alternative postage contracts were reduced due to increased prices from these suppliers. The alternative contracts had improved margins in previous years due to their lower costs. The reduction in alternative contracts also impacted margins in 2017.

Due to the exchange rate impacts during the year, the business was again loss-making in 2017. 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. The impact of exchange rates and reduced alternative contracts have been reflected in 2018 rate increases to recover margins. With continued growth in revenues, targeted margin improvement and cost reduction actions, the directors expect the business to return to profitability by end of 2018.

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 2017

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	2017	2016	Explanation of movement
Revenue Growth/(Decline)%	(9.9)%	0.5%	Loss of revenue in traditional mail market partially off-set by growth in e-commerce in the year resulted in decline in total revenue against prior year.
Gross Profit %	12.7%	13.9%	Exchange rate movements in Euro denominated postal contracts unfavourable in 2017 not fully covered by Hedging as per Group policy plus reduced use of alternative contracts due to increased costs.
Administration expenses as % of turnover	18.3%	16.08%	The increased % was due to the 9.9% reduction in revenue year on year. Admin cost as a value shows a 2.4% increase in costs mainly due to payroll increases.

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:

Protect Traditional Mail

The board recognises that the UK traditional mail market is a substantial but very competitive and declining market. 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. The business has been very successful over the past few years in attracting volume from wholesale mail companies in specific mail destinations. But the wholesale mail market is declining and this is reflected in wholesale revenue as a % of total revenue; 2017 (20%) versus 2016 (31%). To stay competitive in the traditional

Strategic Report (Continued)

For the year ended 31 December 2017

BUSINESS STRATEGY (Continued)

Protect Traditional Mail (Continued)

mail market the business focuses on cooperation with fellow Post NL group companies to define and deliver attractive mail products in terms of price and service. But the reduction in the market underlines the business strategy of focus and development of e-commerce revenues while protecting traditional mail revenues.

Grow e-Commerce

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 main costs which are postal and transportation in its cost of sales. Also exposed to cost increases in its overhead 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.

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.

Strategic Report (Continued)

For the year ended 31 December 2017

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 13.5 days (2016: 9.1 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 25th September 2018 and signed on its behalf.



A O'Halloran
Director

Directors' Report

For the year ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £1,173k (2016 – £617k).

No interim dividend has been paid in the year (2016: £nil). The Directors recommend that no final dividend will be paid (2016: £7,753k).

In December 2017 a Special Resolution was passed to allot 1 new share £1 for subscription value of £2,200,000 to G3 Worldwide Mail N.V. The additional subscription value of £2,199,999 was credited to the Share Premium account.

GOING CONCERN

The balance sheet shows that the company has net assets of £1,334,000 (2016: £476,000). The increase in net asset is due to the additional £2.2m capitalisation by parent company G3 Worldwide Mail NV Ltd via additional share allotment with no obligation, less the Total Comprehensive loss in the year.

With growth in revenues, margin improvement and cost reduction actions, the directors expect the business to be profitable over the year of 2018 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 the Audit 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.

PRIOR PERIOD ADJUSTMENT TO RESTATE LOSS BEFORE TAX

The comparative loss before tax has been restated to correct a prior period error, as the dividend received from a subsidiary amounting to £76,085 was wrongly classified as a tax credit instead of other income. The impact of the adjustment to 2016 was a reduction of £76,085 to the loss before tax and a reduction of £76,085 to the tax credit.

The restatement has no impact on Loss after tax and the Balance Sheet.

Refer to note 7 for further details.

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
S Ferguson

Directors' Report (Continued)

For the year ended 31 December 2017

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 (2016: £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 25th September 2018 and signed on its behalf.



A O'Halloran
Director

Statement of Directors' Responsibilities

For the year ended 31 December 2017

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

For the year ended 31 December 2017

Opinion

We have audited the financial statements of G3 Worldwide Mail (UK) Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. 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".

In our opinion, the financial statements:

give a true and fair view of the company's affairs as at 31 December 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

Independent Auditor's Report to the Members of G3 Worldwide Mail (UK) Limited

For the year ended 31 December 2017

(Continued)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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

G3 Worldwide Mail (UK) Limited

Independent Auditor's Report to the Members of G3 Worldwide Mail (UK) Limited

For the year ended 31 December 2017

(Continued)

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Mohan Pandian (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

25th September 2018

Income Statement

For the year ended 31 December 2017

	Note	2017 £000	2016 £000 (Restated)
Turnover	1,2	24,112	26,774
Cost of sales		<u>(21,043)</u>	<u>(23,058)</u>
Gross profit		3,069	3,716
Administrative expenses		<u>(4,408)</u>	<u>(4,304)</u>
Operating Loss	3	(1,339)	(588)
Other income and charges	7	<u>(67)</u>	<u>(135)</u>
Loss on ordinary activities before taxation		(1,406)	(723)
Tax on Loss on ordinary activities	8	<u>233</u>	<u>106</u>
Loss for the financial year	15	<u><u>(1,173)</u></u>	<u><u>(617)</u></u>

The prior period adjustment is explained in Note 7.

All amounts relate to continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £000	2016 £000
(Loss)/Profit for the financial year	(1,173)	(617)
Fair Value (Gains)/Loss on Cash Flow Hedges	(212)	(217)
Tax on Components of Other Comprehensive Income	43	37
Other Comprehensive (Loss)/Income for the Year	(169)	(180)
Total Comprehensive (Loss)/Income for the Year	<u>(1,342)</u>	<u>(797)</u>

Balance Sheet

As at 31 December 2017

	Note	£000	2017 £000	2016 £000
Fixed assets				
Tangible assets	9		134	208
			<u>134</u>	<u>208</u>
Current assets				
Debtors	10	7,400		7,556
Cash at bank and in hand		<u>68</u>	<u>33</u>	
		7,468	7,589	
Creditors: amounts falling due within one year	11	<u>(6,268)</u>	<u>(7,321)</u>	
Net current assets			<u>1,200</u>	<u>268</u>
Net assets			<u><u>1,334</u></u>	<u><u>476</u></u>
Capital and reserves				
Called up share capital	13		895	895
Share premium account	14		2,200	-
Cash Flow Hedge Reserve	14		29	198
Profit and loss account	14		<u>(1,790)</u>	<u>(617)</u>
Total shareholders' funds	15		<u><u>1,334</u></u>	<u><u>476</u></u>

The financial statements on pages 11 to 26 were approved by the Board of Directors on 25th September 2017 and signed on its behalf by



A O'Halloran
Director

The notes on pages 15 to 26 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2017

	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 2017	895	-	(617)	198	476
Share premium account	-	2,200	-	-	2,200
(Loss)/Profit for the financial year	-	-	(1,173)	-	(1,173)
Cash Flow Hedges	-	-	-	(169)	(169)
At 31 December 2017	895	2,200	(1,790)	29	1,334

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

The notes on pages 15 to 26 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 18.

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 2017

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 2017

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 2017

(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 2017

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):

	2017 £000	2016 £000 (Restated)
Depreciation of tangible fixed assets:		
- owned by the company	80	67
Operating lease rentals:		
- plant and machinery	77	81
- other operating leases	202	218
Dividend received from subsidiary:	-	(76)

4. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	25	20

5. Staff costs

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

	2017 £000	2016 £000
Wages and salaries	2,113	1,966
Social security costs	211	175
Other pension costs	87	80
	<u>2,411</u>	<u>2,221</u>

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

	2017 Number	2016 Number
	<u>78</u>	<u>72</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

6. Directors' remuneration

	2017 £000	2016 £000
Remuneration	<u>253</u>	<u>171</u>
Company pension contributions to defined contribution pension schemes	<u>15</u>	<u>9</u>

The number of directors' who are members of the money purchase pension scheme is 2 (2016: 2).

During the year, amounts accruing to directors under defined benefit schemes amounted to £nil (2016: £nil).

7. Other income and charges

	2017 £000	2016 £000 (Restated)
Interest payable to group undertakings	(3)	-
Foreign Exchange Movements	149	87
Fair Value Loss/(Gain) on Unhedged Derivatives	(79)	124
Dividend received from subsidiary		(76)
	<u>67</u>	<u>135</u>

The subsidiary (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 comparative dividend received from subsidiary has been restated to correct a prior period error, as the dividend received from the subsidiary amounting to £76,085 was wrongly classified as a tax credit instead of other income. The impact of the adjustment to 2016 was a reduction of £76,085 to the other income and charges and a reduction of £76,085 to the tax credit.

The company was formally dissolved on the 8th August 2017.

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

	2017 £000	2016 £000 (Restated)
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (Loss)/Profit for the year	<u>(105)</u>	<u>(83)</u>
Prior Period Restatement		76
Total current tax	<u>(105)</u>	<u>(7)</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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

	2017 £000	2016 £000 (Restated)
Deferred tax		
Origination and reversal of timing differences	(263)	(116)
Effect of increased tax rate on opening liability	31	17
Prior year adjustment	<u>104</u>	<u>-</u>
Total deferred tax (see note 13)	<u>(128)</u>	<u>(99)</u>
Tax on (Loss)/Profit on ordinary activities	<u>(233)</u>	<u>(106)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 19.25%). The differences are explained below:

	2017 £000	2016 £000 (Restated)
(Loss)/Profit on ordinary activities before taxation	<u>(1,406)</u>	<u>(723)</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 19.25%)	(270)	(160)

Effects of:

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2	2
Adjustments in respect of prior periods	2	(83)
Prior Period Restatement		76
Tax rate changes	31	17
Recognised in OCI	-	43
Movement in unrecognised deferred tax	6	-
Rounding to Tax rate changes	(3)	(1)
Current tax charge/credit for the year (see note above)	<u>(233)</u>	<u>(106)</u>

The prior period adjustment is explained in Note 7.

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 2017

9. Tangible assets

	S/Term Leasehold Property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2017	548	219	767
Additions	6	-	6
Disposals	(265)	(148)	(413)
At 31 December 2017	289	71	360
Accumulated depreciation			
At 1 January 2017	391	168	559
Charge for the year	56	24	80
Disposals	(265)	(148)	(413)
At 31 December 2017	182	44	226
Net book value			
At 31 December 2017	107	27	134
At 31 December 2016	157	51	208

10. Debtors

	2017 £000	2016 £000
Trade debtors	2,618	3,871
Amounts owed by group undertakings	2,667	2,879
Other debtors	20	16
Prepayments and accrued income	1,622	387
Derivative financial instruments	57	180
Income tax receivable	230	223
Deferred tax asset	186	-
	<u>7,400</u>	<u>7,556</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

10. Debtors (continued)

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 2018, the outstanding contracts all mature within 12 months of the year end. The company is committed to buy €10.7m (2016: €9.2m) 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 £47,110 (2016: £180,274). Forward foreign exchange contracts are held in cash flow hedges. No ineffectiveness (2016: no ineffectiveness) was noted on cash flow hedged during the year and no gains/losses were recycled to the income statement during the year.

11. Creditors:

Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	488	505
Amounts owed to group undertakings	2,638	2,866
Other creditors	-	-
Corporation tax	-	(6)
Other taxation and social security	577	581
Accruals and deferred income	2,559	3,323
Deferred tax liability (see note 13)	6	52
	<u>6,268</u>	<u>7,321</u>

12. Deferred tax liability

	2017 £000	2016 £000
At beginning of year	(52)	84
Credited for year (P&L)	4	(99)
Credited for the year (OCI)	42	(37)
At end of year	<u>(6)</u>	<u>(52)</u>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	-	(8)
Short term timing differences - pension provision	-	41
Movements on Cash Flow Hedges	(6)	(85)
	<u>(6)</u>	<u>(52)</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

13. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
895,004 (2016: 895,003)- Ordinary shares of £1 each	<u>895</u>	<u>895</u>

On 21st December 2017, the Company issued 1 ordinary share with nominal value of £1 to the parent company. The consideration received amounted to £2.2 million, and the difference over nominal value of the share has been credited directly to equity as an increase in share premium.

14. 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 2017	895	-	(617)	198	476
Share premium reserve	-	2,200	-	-	2,200
(Loss)/Profit for the financial year	-	-	(1,173)	-	(1,173)
Cash flow hedges	-	-	-	(169)	(169)
At 31 December 2017	<u>895</u>	<u>2,200</u>	<u>(1,790)</u>	<u>29</u>	<u>1,334</u>

Share premium reserve

This reserve records the amount above the nominal value received for share sold, less transaction cost.

15. Reconciliation of movements in shareholders' funds

	2017 £000	2016 £000
Opening shareholders' funds	476	9,026
Share premium	2,200	-
Cash Flow Hedges	(169)	(180)
Dividend Paid	-	(7,753)
(Loss)/Profit for the financial year	<u>(1,173)</u>	<u>(617)</u>
Closing shareholders' funds	<u>1,334</u>	<u>476</u>

No final dividend was paid during the year (2016: £7,753k).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

16. 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 £79,731 (2016: £80,260). The pension commitment accrual as at 31 December 2017 is £12,884 (2016: £12,151).

17. 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 2017 the company had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2017	2016	2017	2016
	£000	£000	£000	£000
Expiry date:				
Within 1 year	237	239	50	68
Between 2 and 5 years	<u>246</u>	<u>488</u>	<u>68</u>	<u>76</u>

18. 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 2017

19. 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.

20. 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.