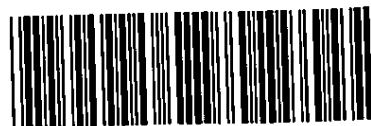


**Royal Mail Investments Limited**

**Accounts**

**2006 - 2007**

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# Royal Mail Investments Limited

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# Royal Mail Investments Limited

## Directors' Report

The Directors present the accounts for Royal Mail Investments Limited (the Company) These accounts relate to the 52 weeks ended 25 March 2007 (2006 52 weeks ended 26 March 2006)

### Principal activities

The Company's principal activity is to act as a holding company for the overseas subsidiaries and associates of Royal Mail Group Ltd

### Review of the business and future developments

The Company acts as a holding company function for distribution businesses in overseas markets and expects to continue this activity for the foreseeable future

The Company recorded a loss of £1,154,933 on the write-off of the investment in the Consignia Deutschland subsidiary, following conclusion, during the year, of a three-year long winding up process. A further loss of £2,001,405 relating to the impairment of the investment in the G3 Worldwide Mail N V (Spring) associate was incurred, to ensure that the carrying value does not exceed to the Company's share of Spring's net assets

### Results and dividends

The loss after taxation was £3,156,338 (2006 £3,615,184 loss) The Directors do not recommend a dividend (2006 nil dividend)

### Directors and their interests

The following have served as Directors of the Company during the year ended 25 March 2007 and up to the date of approval of these accounts

Catherine Churchard

Resigned 31 December 2006

Roger Durrant

Jane Morley

No Director has a beneficial interest in the share capital of the Company

### Audit information

The Directors confirm that so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### Qualifying third party indemnity provisions for Directors

At the time the Directors' Report was approved under s234A of the Companies Act 1985, a partial qualifying third party indemnity provision was and remains in force for the benefit of all Directors of Royal Mail Investments Limited and for the benefit of one or more persons who were then Directors of the Company. The indemnity is granted under article 129 of the Articles of Association of the Company's ultimate parent company, Royal Mail Holdings plc. The indemnity is partial in that it does not allow the Company to cover the costs of an unsuccessful defence of a third party claim

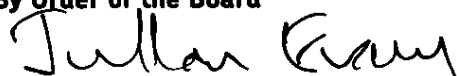
### Going concern

As outlined in the Basis of Preparation accounting policy note, as a result of the financial support available from its ultimate parent company Royal Mail Holdings plc, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the Annual General Meeting

### By Order of the Board



**Jonathan Evans**

Secretary

London

12 December 2007

# Royal Mail Investments Limited

## **Statement of Directors' responsibilities in respect of the accounts**

The Directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that 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 1985. 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.

# Royal Mail Investments Limited

## Independent Auditors' Report to the members of Royal Mail Investments Limited

We have audited the Company's financial statements for the year ended 25 March 2007 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 25 March 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Ernst & Young LLP*

**Ernst & Young LLP**

Registered auditor

London

12 December 2007

# Royal Mail Investments Limited

## Profit and loss account

for the years ended 25 March 2007 and 26 March 2006

		2007			2006		
	Notes	Before exceptional items £000	Exceptional items (note 4) £000	Total £000	Before exceptional items £000	Exceptional items (note 4) £000	Total £000
Loss on winding-up of subsidiary	4	-	(1,155)	(1,155)	-	(4,227)	(4,227)
Impairment of associate	4	-	(2,001)	(2,001)	-	-	-
Income from investments		-	-	-	499	-	499
<b>(Loss)/profit on ordinary activities before taxation</b>		-	<b>(3,156)</b>	<b>(3,156)</b>	499	(4,227)	(3,728)
Taxation	6			-			113
<b>Loss transferred to reserves</b>	10			<b>(3,156)</b>			<b>(3,615)</b>

## Statement of total recognised gains and losses

for the years ended 25 March 2007 and 26 March 2006

There are no recognised gains and losses other than the loss attributable to the Company of £3 156 338 in the year ended 25 March 2007 and the loss of £3,615,184 in the year ended 26 March 2006

There is no statement of historical cost profits and losses as the accounts are produced under the historic cost accounting convention

# Royal Mail Investments Limited

## Balance sheet

at 25 March 2007 and 26 March 2006

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments in subsidiaries and associates	7	<b>145,991</b>	149,147
<b>Total assets less current liabilities</b>		<b>145,991</b>	149,147
<b>Creditors - amounts falling due after more than one year</b>	8	<b>(467,907)</b>	(467,907)
<b>Net liabilities</b>		<b>(321,916)</b>	(318,760)
<b>Capital and reserves</b>			
Called up share capital	9	<b>5,000</b>	5,000
Profit and loss account	10	<b>(326,916)</b>	(323,760)
<b>Shareholder's deficit</b>		<b>(321,916)</b>	(318,760)

The accounts on pages 6 to 11 were approved by the Board of Directors on 12 December 2007 and signed on its behalf by



**Roger Durrant**

# Royal Mail Investments Limited

## Notes to the accounts

### 1. Accounting policies

#### Financial year

The financial year ends on the last Sunday in March and accordingly these accounts are made up to the 52 weeks ended 25 March 2007 (2006 52 weeks ended 26 March 2006)

#### Basis of preparation

The financial statements present information about the Company as an individual undertaking and not as a Group. The Company has taken advantage of section 228 of the Companies Act 1985 not to prepare Group accounts on the grounds that its ultimate parent makes its Group accounts publicly available.

The accounts on pages 6 to 11 have been prepared in accordance with applicable UK Accounting Standards and law, including the requirements of the Companies Act 1985. Unless otherwise stated in the accounting policies below, the accounts have been prepared under the historic cost accounting convention. Royal Mail Investments Limited had net liabilities of £322m at 25 March 2007 (£319m at 26 March 2006) and currently operates at a loss. The Company is therefore dependent on continuing financial support from its immediate parent company, Royal Mail Group Ltd.

No new UK Accounting Standards, which affect the presentation of these accounts, have been issued.

No cash flow statement has been presented as the Company is a wholly-owned subsidiary of a company which has presented a consolidated cash flow statement within its Group accounts.

#### Investments in subsidiaries and associates

Investments in subsidiaries, and associates within the Company's accounts are stated at cost less any accumulated impairment losses.

#### Deferred tax

Deferred tax is generally provided in full on timing differences at the balance sheet date, at rates expected to apply when the tax liability (or asset) crystallises based on substantially enacted tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Deferred tax is not recognised in the following instances:

- on gains on disposal of fixed assets where, on the basis of available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when there is a commitment to dispose of those replacement assets,
- on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings, and
- deferred tax assets are recognised only to the extent that the Directors consider that it is 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 not discounted.

### 2. Staff costs

The Company has no employees (2006 nil).

### 3. Operating loss

Auditors' remuneration amounted to £5,000 (2006 £5,000) for the audit of the statutory accounts and was met by the immediate parent company Royal Mail Group Ltd. Auditors' remuneration relating to other services supplied to the Company is included within note 6 of the Company's ultimate parent company, Royal Mail Holdings plc Group accounts.



# Royal Mail Investments Limited

## 4. Exceptional items

	2007 £000	2006 £000
Loss on winding-up of subsidiary	(1,155)	(4,227)
Impairment of associate	(2,001)	-
Total	(3,156)	(4,227)

The loss on the winding-up of a subsidiary of £1,154,933 relates to the investment in the Consignia Deutschland subsidiary company, following the conclusion of a three-year long winding up process for that company (2006 £4,226,791 related to sale of the RM Netherlands 1 B V subsidiary company) The £2,001,405 impairment loss relates to the investment in the G3 Worldwide Mail N V (Spring) associate company (2006 £nil) to ensure that the carrying value of this associate investment does not exceed the parent company's share of Spring's net assets

## 5. Directors' emoluments

The Directors of the Company are not paid fees by the Company for their services as Directors of the Company  
The Directors of the Company are paid fees by other companies in the Royal Mail Holdings plc Group of companies

## 6. Taxation

### (a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
<b>Current tax</b>		
UK current tax	-	-
Tax over-provided in previous years	-	(113)
Total taxation (see table below)	-	(113)

### (b) Factors affecting the current tax charge/(credit)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Loss on ordinary activities before tax	(3,156)	(3,728)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(947)	(1,118)
Double taxation relief on dividend from associate	-	(150)
Adjustment in respect of prior periods	-	(113)
Non deductible loss on winding-up of subsidiary	347	1,268
Non deductible impairment loss	600	-
Total current tax (see table above)	-	(113)

### (c) Factors that may affect future tax charges

The Company has capital losses carried forward, the tax effect of which is approximately £2,000 (2006 approximately £2,000) These may be set against future capital gains The Company has claimed no rollover relief

# Royal Mail Investments Limited

## 7. Investments in subsidiaries and associates

	Subsidiaries £000	Associates £000	Total £000
<b>Cost</b>			
At 27 March 2006	405,048	4,689	409,737
Additions	-	-	-
Winding-up of subsidiary	(1,155)	-	(1,155)
<b>At 25 March 2007</b>	<b>403,893</b>	<b>4,689</b>	<b>408,582</b>
<b>Impairment</b>			
At 27 March 2006	260,590	-	260,590
Impairment	-	2,001	2,001
<b>At 25 March 2007</b>	<b>260,590</b>	<b>2,001</b>	<b>262,591</b>
<b>Net book value</b>			
<b>At 25 March 2007</b>	<b>143,303</b>	<b>2,688</b>	<b>145,991</b>
At 27 March 2006	144,458	4,689	149,147

The £1,154,933 relates to the winding-up of the Consignia Deutschland subsidiary company and the £2,001,405 relates to the impairment of the investment in G3 Worldwide B V (Spring) associate company (see note 4 for more details)

## 8. Creditors – amounts falling due after more than one year

	2007 £000	2006 £000
Amount due to parent company	467,907	467,907

## 9. Share capital

The authorised, allotted, called up and fully paid share capital is 5,000,000 (2006 – 5,000,000) ordinary £1 shares beneficially owned by Royal Mail Group Ltd. There has been no change in the share capital of the Company during the year.

## 10. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Profit and loss account £000	2007 Total £000	2006 Total £000
At 27 March 2006 and 28 March 2005	5,000	(323,760)	(318,760)	(315,145)
Loss for the financial year	-	(3,156)	(3,156)	(3,615)
<b>At 25 March 2007 and 26 March 2006</b>	<b>5,000</b>	<b>(326,916)</b>	<b>(321,916)</b>	<b>(318,760)</b>

# Royal Mail Investments Limited

## 11. Charges

A fixed charge has been registered over the Company's shares in General Logistics Systems B V. The charge forms part of the security provided on Royal Mail Group Ltd's £500m loan facility. At 25 March 2007, £500m (2006 £500m) had been borrowed under this facility. Further details on the facility are contained in note 19 of the Royal Mail Holdings plc Group accounts.

## 12. Related party transactions

The Company has taken advantage of one of the exemptions conferred by FRS 8 'Related party disclosures', whereby certain details regarding transactions with Group companies do not have to be disclosed where Group accounts are publicly available.

## 13. Principal subsidiaries and associates

	Country of incorporation	Percentage holding %	Principal activities
<b>Subsidiaries</b>			
General Logistics Systems B V <sup>1</sup>	Netherlands	100	Holding company for parcel services group
General Logistics Systems Italy S p A	Italy	100	Parcel services
General Logistics Systems France S A	France	100	Parcel services
General Logistics Systems Germany (formerly German Parcel Paket-Logistik GmbH & Co. OHG)	Germany	100	Parcel services
General Logistics Systems Netherlands B V (formerly Nederlandse Pakket Dienst B V)	Netherlands	100	Parcel services
General Logistics Systems Ireland Ltd (formerly Williamses Group)	Ireland	100	Parcel services
General Logistics Systems Austria GmbH	Austria	100	Parcel services
General Logistics Systems Denmark A/S (formerly Pakke Trans A/S)	Denmark	100	Parcel services
PostCap Guernsey Limited <sup>1</sup>	Guernsey	100	Insurance services
General Logistics Systems Poland Spolka z o o (formerly Szybka Paczka Spolka z o o)	Poland	100	Parcel services
<b>Associates</b>			
G3 Worldwide Mail N V (trade name 'Spring') <sup>1</sup>	Netherlands	24.5	Mail services

<sup>1</sup> These investments are held by the Company. All other investments are held by subsidiaries.

A full list of subsidiaries and associates is available from the Company's registered office. All shareholdings are equity shares.

## 14. Immediate and ultimate parent company

At 25 March 2007, the Directors regarded Royal Mail Group Ltd as the immediate parent company and Royal Mail Holdings plc as the ultimate parent company. The results of the Company form part of the Royal Mail Holdings plc Group accounts, which are available from that company's website ([www.royalmailgroup.com](http://www.royalmailgroup.com)) or from the Company Secretary, 148 Old Street, London EC1V 9HQ.