

Registered Number 3693913

Royal Mail Enterprises Limited
Annual Report and Financial Statements
2010 - 2011



Royal Mail Enterprises Limited

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Royal Mail Enterprises Limited

Directors' Report

The Directors present the Annual Report and Financial Statements for Royal Mail Enterprises Limited (the Company) These financial statements relate to the 52 weeks ended 27 March 2011 (2010 52 weeks ended 28 March 2010)

Principal activities

The Company acted as holding company for the National Lottery related investments in Camelot Group plc and Camelot Global Services Limited until the sale of these investments during the year

Review of the business and future developments

On 30 June 2010 the sale of the Company's only investments held in Camelot Group plc and Camelot Global Services Limited was approved A profit of £42m resulted from the disposal of these associate investments

Results and dividends

The profit after taxation for the year was £45m (2010 £6m) At the signing date the Directors propose a dividend of £96m (2010 £nil) The movement in reserves is shown in note 11 to the financial statements

Directors and their interests

The following have served as Directors of the Company during the year ended 27 March 2011 and up to the date of approval of these financial statements

	<u>Appointed</u>	<u>Resigned</u>
Mark Thomson		23 August 2011
Mick Jeavons	28 June 2010	
Ian Duncan		15 June 2010
Matthew Rose	23 August 2011	

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 auditor is unaware and that each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Qualifying third party indemnity provisions for Directors

A partial qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) was and remains in force for the benefit of all the Directors of Royal Mail Enterprises Limited and former Directors who held office during the year The indemnity is granted under article 129 of the ultimate parent company's Articles of Association 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

Principal risk and uncertainties

The Company's principal risk relates to the recoverability of the Company's net assets which comprised of a receivable of £96m due from Royal Mail Group Ltd its immediate parent company This risk is mitigated by the fact that at the signing date Royal Mail Enterprises Limited has proposed a dividend of £96m to be paid on 26 August 2011 which will extinguish the balance with the parent company For further detail see Going concern section below

Going concern

The Company has net assets of £96m at 27 March 2011 As noted in the principal risk and uncertainties section above the Company's net assets comprise a receivable of £96m due from its immediate parent company Royal Mail Group Ltd which will be extinguished through the payment during 2011-12 of the Company's proposed dividend declared at the signing date

However, the Board of Royal Mail Holdings plc (RMH) has concluded that without Government support Royal Mail Group Ltd (RMG) may not be able to meet its liabilities as they fall due including the next £286m pension deficit contribution payment due in March 2012 and the repayment of £900m Government loan facilities due in March 2014 Therefore the 2010-11 Annual Report and Financial Statements of RMH and of RMG include details of two material uncertainties that cast significant doubt upon RMG's ability to continue as a going concern Firstly the relief of the majority of RMG's pension deficit and its balance sheet restructure are conditional on the obtaining of State Aid approval from the European Commission In particular State Aid approval will need to be obtained by March 2012 when the next pension deficit payment would otherwise be due The second material uncertainty is whether Government would provide RMG with alternative financing in the event of a delayed or rejected application for restructuring aid

The Government submitted a formal State Aid notification to the European Commission in June 2011 outlining its plan to provide restructuring aid to RMG with the intention of returning the business to financial viability The Government has announced that it hopes that the process will be completed by March 2012 The Directors of RMH and RMG believe that the Government would continue to provide adequate financing to RMG in the event of a delayed or rejected State Aid application This is based on a number of factors including the prior experience of financing Post Office Limited by the Government from 2006-7 onwards

After analysis of all the factors above the Directors of Royal Mail Enterprises Limited consider it appropriate to prepare the financial statements on a going concern basis

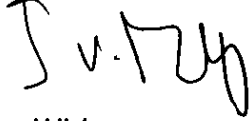
Royal Mail Enterprises Limited

Directors' Report (continued)

Auditor

The auditor is deemed to be reappointed under section 487(2) of the Companies Act 2006

By Order of the Board

A handwritten signature in black ink, appearing to read 'J. Millidge', written over a horizontal line.

Jon Millidge

Secretary

London

23 August 2011

Royal Mail Enterprises Limited

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 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.

Royal Mail Enterprises Limited

Independent Auditor's Report to the members of Royal Mail Enterprises Limited

We have audited the financial statements of Royal Mail Enterprises Limited for the year ended 27 March 2011 which comprise profit and loss account, statement of total recognised gains and losses reconciliation of movements in shareholders funds balance sheet and the related notes 1 to 14. 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).

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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.

Opinion on financial statements

In our opinion the Company financial statements

- give a true and fair view of the state of the Company's affairs as at 27 March 2011 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – going concern

In forming our opinion, which is not modified, we have also considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The conditions described in note 1 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

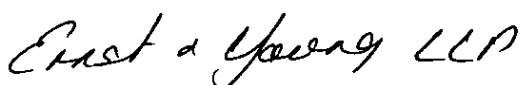
In our opinion

The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Company's financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements to be audited 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



Alison Duncan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

22 August 2011

Royal Mail Enterprises Limited

Profit and loss account

for the year ended 27 March 2011 and 28 March 2010

	Notes	2011 £m	2010 £m
Discontinued operations			
Profit on disposal of fixed asset investments	7	42	-
Profit before financing and taxation		42	-
Income from investments	5	3	6
Profit before taxation		45	6
Taxation charge	6	-	-
Profit for the financial year from discontinued operations	11	45	6

All profit for the current year was in relation to discontinued operations

Statement of total recognised gains and losses

for the year ended 27 March 2011 and 28 March 2010

There are no recognised gains and losses other than the profit attributable to the Company of £45m (2010 £6m)

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

Reconciliation of movements in shareholder's funds

for the year ended 27 March 2011 and 28 March 2010

	2011 £m	2010 £m
Opening shareholder's funds	51	45
Total recognised profit for the financial year (see above)	45	6
Closing shareholder's funds	96	51

Royal Mail Enterprises Limited

Balance sheet

at 27 March 2011 and 28 March 2010

	Notes	2011 £m	2010 £m
Fixed assets			
Investments in associates	7	-	31
Total fixed assets		-	31
Current assets			
Debtors – receivable within one year	8	96	1
Debtors – receivable beyond one year	8	-	19
Net current assets		96	20
Net assets		96	51
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	11	96	51
Shareholder's funds		96	51

The financial statements on pages 7 to 11 were approved by the Board of Directors on 23 August 2011 and signed on its behalf by



Mark Thomson

Royal Mail Enterprises Limited

Notes to the financial statements

1 Accounting policies

The following accounting policies apply throughout Royal Mail Enterprises Limited (the Company)

Financial period

The financial year ends on the last Sunday in March and accordingly these financial statements are made up to the 52 weeks ended 27 March 2011 (2010 52 weeks ended 28 March 2010)

Basis of preparation

The financial statements on pages 7 to 11 have been prepared in accordance with applicable UK Accounting Standards and law including the requirements of the Companies Act 2006 Unless otherwise stated in the accounting policies below the financial statements have been prepared under the historic cost accounting convention

In making an assessment on the Company's ability to continue as a going concern the Directors have identified two material uncertainties that cast doubt upon the Company's ability to continue as a going concern taking into account the Company's net assets represent a receivable from Royal Mail Group Ltd its immediate parent company (see the Directors Report on page 3) After careful consideration of all available information the Directors are of the view that it is appropriate that these financial statements have been prepared on a going concern basis The financial statements presented for the year ending 27 March 2011 do not contain any adjustment that would be required if it was concluded that the Company was unable to continue as a going concern

The financial statements present information about the Company as an individual undertaking

No new UK Accounting Standards which affect the presentation of these financial statements 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 financial statements

Changes in accounting policy

The accounting policies are consistent with those of the previous financial year

Interbusiness trading

The Company makes use of the services of other companies within the Group in order to take advantage of Group synergies having regard to the mutual dependencies that exist The interbusiness charges recognise these dependencies and are reached through negotiation between the respective businesses

Investments in associates

Investments in associates within the Company's financial statements are stated at cost less any accumulated impairment losses

Debtors

Debtors are recognised and carried at original invoice amount less an allowance for non-collectable amounts An estimate for doubtful debts is made when collection of the full amount is no longer probable Bad debts are written off when identified

2 Staff costs and numbers

The Company has no employees (2010 no employees)

3 Auditor's remuneration

Auditor's remuneration amounted to £4 750 (2010 £4 750) for the audit of the statutory financial statements and was met by the immediate parent company Royal Mail Group Ltd

4 Directors' emoluments

The Directors did not receive any emoluments from the Company during the year (2010 £nil) The Directors are employees of other undertakings within the Royal Mail Holdings plc Group of companies The Directors' remuneration for the period was paid by other undertakings The Directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as employees or Directors of the fellow subsidiary undertakings

5 Income from investments

Investment income relates to dividend income of £3m (2010 £6m) received from the Company's investment in associate Camelot plc This investment was sold during the year (note 7)

6 Taxation

There is no tax charge or credit (2010 nil) The Company has no profits other than exempt dividends receivable and exempt profits on disposal of fixed asset investments

Royal Mail Enterprises Limited

7 Investments in associates

	2011	2010
Cost	£m	£m
At 29 March 2010 and 30 March 2009	32	32
Disposals	(32)	-
At 27 March 2011 and 28 March 2010	-	32
Impairment		
At 29 March 2010 and 30 March 2008	1	1
Disposals	(1)	-
At 27 March 2011 and 28 March 2010	-	1
Net book value		
At 27 March 2011 and 28 March 2010	-	31
At 29 March 2010 and 30 March 2009	31	31

On 30 June 2010 the sale of the Company's only investments being a 20% shareholding in Camelot Group plc and Camelot Global Services Limited was approved. These were located in the UK and prior to disposal were classified as associates in the consolidated group financial statements of Royal Mail Holdings plc. The principal activities of Camelot Group plc related to the operation of the UK National Lottery.

This sale resulted in a profit of £42m. The net book value of these investments at the time of disposal was £31m.

8. Debtors

	2011	2010
	£m	£m
Receivable within one year		
Amount due from associate	-	1
Amount due from parent company	96	-
Total	96	1

	2011	2010
	£m	£m
Receivable beyond one year		
Amount due from parent company	-	19

9 Called up share capital

	2011	2010
	£	£
Authorised		
Ordinary shares of £1 each	1,000	1,000
Total	1,000	1,000
Allotted and fully paid		
Ordinary shares of £1 each	1	1
Total	1	1

Royal Mail Enterprises Limited

10 Dividends

	2011 Total £m	2010 Total £m
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Proposed for approval by the shareholder

Final dividend	96	-
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Subject to approval by the shareholder the proposed dividend of £96m will be paid on 26 August 2011 and will be accounted for as an appropriation of profit and loss account reserves in the year ended 25 March 2012

11 Reserves

	Profit and loss account 2011 £m	2010 £m
At 29 March 2010 and 30 March 2009	51	45
Profit for the financial year	45	6
At 27 March 2011 and 28 March 2010	96	51

12 Related party disclosures

Associates

The following company's were associates of Royal Mail Enterprises Limited until the approval of the sale of these in June 2010 (note 7)

Associate company	Country of incorporation	% Holding	Principal activities up to sale
Camelot Group plc	United Kingdom	20	Operation and promotion of the UK National Lottery
Camelot Global Services Limited	United Kingdom	20	Operation and promotion of the Lottery

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 100% owned subsidiaries within the same Group do not have to be disclosed where Group financial statements are publicly available

During the year the Company entered into transactions with other entities within the same Group but which are less than 100% owned. The transactions were in the ordinary course of business. The transactions entered into and the balances outstanding at the financial year end were as follows

	Dividends received from related party		Amounts owed from related party including outstanding loans	
	2011 £m	2010 £m	2011 £m	2010 £m
Camelot Group plc	3	6	-	-
Camelot Global Services Limited	-	-	-	1

Camelot Group plc and Camelot Global Services Limited were disposed of during the year this transaction is disclosed within (note 7) of these financial statements

13 Post balance sheet events

On 23 August 2011 the Directors proposed a dividend of £96m

14 Immediate and ultimate parent company

At 27 March 2011 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 financial statements which are available from that company's website (www.royalmailgroup.com) or from the Company Secretary 100 Victoria Embankment, London EC4Y 0HQ