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

For the year ended 31 December 2019

Registered number: 00545421

Company Information

Directors	S Ferguson N Hague
Company secretary	M Mehra
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

Contents

	Page
Strategic report	1 - 5
Directors' report	6 - 7
Statement of Directors' Responsibilities	8
Independent auditors' report	9 - 11
Income Statement	12
Statement of Comprehensive Income	13
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16 – 27

Strategic Report
For the year ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

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 2019. However, despite a 8.17% reduction in revenue the business returned a small loss before tax of £75k. The reduction in revenue 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 2019 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 significantly increased from 18.6% in 2018 to 18.8% in 2019. During 2019 the business implemented price increases and continued to adjust surcharges to improve margins. These were to pass on increased costs incurred in 2018 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 in impacted these costs. Also during the year use of alternative postage contracts were reduced due to increased prices from these suppliers. So while exchange rates were largely stable in 2019 the increased costs incurred in 2018 were recovered through price increases in 2019 resulting in significantly improved profitability.

During the year the business continued to invest and develop its e-commerce products and systems. This included the development of a new e-commerce platform; Spring Omni to significantly improve ease of trade with clients through data interfaces. In addition to the existing international mail and parcel products; Spring Omni will also include domestic and express products. The business also decided to replace its main e-commerce platform Forward Logistics with XBS which provides significantly improved transparency of all client shipments. While significant development work on Spring Omni and XBS took place in 2018; both went live in 2019. The business also enhanced its traditional mail products with the implementation of My-Spring, which provides online order capture of traditional mail orders. The investments in these systems in 2018 have supported the business strategy of protecting the traditional mail market share whilst growing e-commerce in 2019. With continued growth in revenues, targeted margin improvement and cost reduction actions, the directors expect the business to return to profitability by end of 2020.

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.

Covid-19
In December 2019 there was an outbreak of Covid-19, or coronavirus, which the World Health Organization declared a pandemic on 11 March 2020.

The full impact of the Covid-19 pandemic on the logistics industry is still being fully assessed and the challenges of grappling with a global pandemic when it emerged in the first quarter resulted in short term shortages in linehaul

Strategic Report (Continued)

For the year ended 31 December 2019

capacity within the airfreight industry and service disruption in some countries that locked down geographic areas and disrupted postal and commercial deliveries. This did result in a short term disruption and impacted on margins and service quality. Spring implemented our business continuity plans and we reorganised our workforce to meet the safe working practices that were required and carried out a risk assessment of our operation. Our supply chain ringfenced additional capacity and we introduced and communicated new "AIR SURCHARGE" (ETS) charges to our customers and made the decision to continue shipping to all areas still capable of delivering items.

How the Coronavirus pandemic impacted business. The impact in different sectors is stark, with clear winners and losers. Customers shopping online rather than on the high street means we're now delivering more than ever before. Our Easter volumes were double what we carried last year. Coronavirus has accelerated the journey to transform Spring UK from a predominantly mail service provider to an eCommerce cross border specialist. Volumes in mail have declined over 40% during the period, but this has been matched in a similar increase in eCommerce demand so that our business is now over 70% eCommerce and mail represent less than 30% of our volumes. Spring has had to become more agile, flexible and innovative.

The upside of government restrictions is that, while remaining physically remote from each other and having to find new ways of working together Spring has adapted remote working for our office and backroom staff, whilst introducing safe working shift work within the operation.

Extra communication has in many ways brought Spring UK closer together and we are more productive and focused as a business. There has been more focus on systems and online digital solutions. We have learned quickly that having flexibility and contingency built into your delivery approach is vital so Spring UK can respond quickly to change and protect our business. while keeping a close eye on the bottom line. As multi-carrier delivery experts, brokers our knowledge and visibility of the entire carrier industry means we understand the operational risks of dealing with uncertainty and what it takes to have contingency in place to protect delivery.

Therefore we do not foresee substantial impact and the demand is still strong. In addition, the current expectation is that, in the medium -to-long term, technology will play an even bigger role in the industry's future as it will likely invest more in digital transformations to increase automation and resilience.

Spring made only limited use of Government furlough scheme. With only 4 staff put on furlough. Our business continues to service customers and we have shifted our business model to working from home during the Government imposed lockdown.

Based on our review of the ongoing projects, we have considered a revenue increase of 12.3% to previous year and no impact to our profit before tax.

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.

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.

Strategic Report (Continued)

For the year ended 31 December 2019

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	2019	2018	Explanation of movement
Revenue Growth/(Decline)%	(8.2)%	(7.7)%	Continued 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 %	18.8%	18.6%	Prices re-rated by average 4% in January 2019 to reflect increased costs from exchange rate movements in 2018.
Administration expenses as % of turnover	18.5%	18.5%	Admin cost is in line with 2018 but revenue reduction lead to reduced Post NL group management charges.

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; 2019 (12.7%) versus 2018 (13.1%). To stay competitive in the traditional 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.

Strategic Report (Continued)

For the year ended 31 December 2019

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 in 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.

SUPPLIER PAYMENT POLICY

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. The average number of days taken to pay the company's trade suppliers calculated in accordance with the requirements of the Companies Act is 9.8 days (2018: 9.3 days).

BREXIT IMPACT

Like many businesses; trying to prepare for Brexit remains difficult due to the considerable uncertainty over the timing and nature of the UK's exit from the European Union. Due to the absence of any clarity, we have accelerated our preparations both to help minimise the uncertainty for clients and facilitate an easier transition between current rules and any new processes which might take effect after a 'no-deal' Brexit, in particular.

It is already clear that parcels sent between the UK and Europe via commercial delivery services would be subject to more administration and higher fees should that scenario apply. Spring has invested heavily in this area It is introducing an integrated processing of export declarations for all Spring Classic Road parcels being moved between the UK and the EU following the end of the transitional period, enabling Spring to be able to continue to move goods between the UK and the EU once the transitional period comes to an end. This will ensure that Spring

Strategic Report (Continued)

For the year ended 31 December 2019

can provide the following benefits to customers to enable them to continue to ship with the commercial partners that have helped grow eCommerce services and now stand for some 60% of Springs volumes. It will offer automated data enrichment from customers using classification tools integrated into customs system required to process customs entries. Integrated processing of import declarations will be offered via direct filing in NL and/or AEB partner broker networks in EU countries (e.g. DE, FR, NL, ES, and IT) giving flexibility to Spring to introduce a hybrid approach to customs processing in Europe.

In addition to higher fees, there is the prospect of large fines for those not abiding by the new regulations. As a broker whose aim is to find businesses the most effective delivery solutions whatever their products or destinations, Spring UK has intensified the focus on getting to grips with the new rules and making our systems even more flexible and able to cope with Brexit.

Our clients are familiar with advantages represented by our ability to capitalise on 'postal clearance', which can already be quicker and more cost-effective than commercial clearance alternatives and are likely to be even more so in the event of a 'hard' Brexit. It's just one of the benefits of our being wholly owned by PostNL, the premier provider of postal and parcel services in the Netherlands.

We are, in fact, able to provide shippers with more than 60 different routes to 220 countries around the world. With that truly global reach, we are more agile than our competitors and can tailor delivery provision to the very specific needs of our customers. Although that capability existed before the UK took the decision to leave the EU, Spring UK has reacted and refined its expertise over the last three years in order to keep its clients competitive, regardless of where they're shipping.

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 17th December 2020 and signed on its behalf.

S Ferguson
Director

Directors' Report

For the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The loss (profit in 2018) for the financial year amounted to (£69k) (2018 – £11k).

No interim dividend has been paid in the year (2019: £nil). The Directors recommend that no final dividend will be paid (2019: £nil).

GOING CONCERN

The balance sheet shows that the company has net assets of £1,242,000 (2018: £1,330,000).

With growth in revenues, margin improvement and cost reduction actions, the directors expect the business to be profitable over the year of 2020 and beyond. Financial support will be available from the ultimate parent company; Post NL NV for at least 12 months from the date of signing of the Audit Report and for the foreseeable future. Financial support will be made available subject to the company using its own cash resources first to meet its liabilities. 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.

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the director has considered the future outlook of the Company. by preparing cash flow and profit forecasts covering a period of twelve months from the date that these financial statements were signed. The director has considered the future operating profits, cash flows and facilities available. The directors have also prepared various stress test scenarios and reverse stress tests on these forecasts to support their going concern assessment. On the basis of these additional assessments, the directors consider that the company will continue to be able to meet its liabilities as these fall due for a period of at least twelve months from the date on which these accounts were signed.

No immediate impact of Covid-19 has been noted and the directors have reorganise the company's operations to continue to serve our customers and protect the financial resources of the Company.

POST BALANCE SHEET EVENTS

The Company had £1.99m of cash available on its balance sheet at 31 March 2020. The cash balance has increased by £1.01m and stands at £3.0m as at 31 October 2020. The Company has net current assets of £8.48m and positive shareholder's funds of £1.47m as at 31 October 2020

Based on the negotiations with the main customers and review of the ongoing IT projects and our pipeline, the Company has prepared a trading forecast based on the worst-case scenario to account for Covid-19 outbreak along with Brexit, which are the two foreseen and known risks impacting our company for 2021. The forecast shows a revenue increase of 7.68% to previous year and decline of loss before tax of 37% to current latest forecast of 2020. Under this scenario the Company is expected to generate positive operating cash flow for the year ending 31 December 2020. The main assumptions used in the model are as follows:

- Minimal impact of 10% decline in existing mail business (compared to pre Covid-19 forecast) in revenues
- The stickiness of our recently implemented software assets XBS and MySpring software into customers operations. Reliance of customer organisations on our software platforms, and the time and cost to replace, these with an alternative supplier mean that switching costs will be higher.
- Implementation of Duty Paid Services via new software also support customers with commercial flows
- No changes in the headcount, salary or bonus payments
- Minimal delay in collections of customer payments, as per current experience;
- No external or parent company financing is required.

Directors' Report (Continued)
For the year ended 31 December 2019

The Company's three year forward scenario, which takes into consideration the current environment and worst-case potential impact of Covid-19, shows that we are expected to remain profitable and generate positive cash flows for the foreseeable future.

DIRECTORS

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

S Ferguson
N Hague

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 (2019: £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 17th December 2020 and signed on its behalf.

S Ferguson
Director

Statement of Directors' Responsibilities

For the year ended 31 December 2019

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

Opinion

We have audited the financial statements of G3 Worldwide Mail (UK) Limited for the year ended 31 December 2019 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 21, 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 including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 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 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 8, 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 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.

Ernst & Young LLP

Mohan Pandian (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
City
17th December 2020

Income Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	1,2	**20,437**	22,256
Cost of sales		**(16,597)**	(18,123)
Gross profit		**3,840**	4,133
Administrative expenses		**(3,777)**	(4,112)
Operating Profit	3	**63**	21
Other income and charges	7	**(138)**	(43)
Loss on ordinary activities before taxation		**(75)**	(22)
Tax on Loss on ordinary activities	8	**6**	33
(Loss)/Profit for the financial year	15	**(69)**	11

All amounts relate to continuing operations.

The notes on pages 16 to 27 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 £000	2018 £000
Profit/(Loss) for the financial year	**(69)**	11
Fair Value (Gains) on Cash Flow Hedges	**(23)**	(18)
Tax on Components of Other Comprehensive Income	**4**	3
Other Comprehensive (Loss) for the Year	**(19)**	(15)
Total Comprehensive (Loss) for the Year	**(88)**	(4)

Balance Sheet
As at 31 December 2019

	Note	£000	2019 £000	£000	2018 £000
Fixed assets					
Intangible assets	9		**54**		-
Tangible assets	9		**42**		75
			96		75
Current assets					
Debtors	10	**5,339**		5,846	
Cash at bank and in hand		**3**		11	
		5,342		5,857	
Creditors: amounts falling due within one year	11	**(4,196)**		(4,602)	
Net current assets			**1,146**		1,255
Net assets			**1,242**		1,330
Capital and reserves					
Called up share capital	13		**895**		895
Share premium account	14		**2,200**		2,200
Cash Flow Hedge Reserve	14		**(5)**		14
Profit and loss account	14		**(1,848)**		(1,779)
Total shareholders' funds	15		**1,242**		1,330

The financial statements on pages 12 to 27 were approved by the Board of Directors on 17th December 2020 and signed on its behalf by

S Ferguson
Director

The notes on pages 16 to 27 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2019

	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 2019	895	2,200	(1,779)	14	1,330
Share premium account	-	-	-	-	-
Loss for the financial year	-	-	(69)	-	(69)
Cash Flow Hedges	-	-	-	(19)	(19)
At 31 December 2019	895	2,200	(1,848)	(5)	1,242

For the year ended 31 December 2018

	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 2018	895	2,200	(1,790)	29	1,334
Share premium account	-	-	-	-	-
Profit for the financial year	-	-	11	-	11
Cash Flow Hedges	-	-	-	(15)	(15)
At 31 December 2018	895	2,200	(1,779)	14	1,330

The notes on pages 16 to 27 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2019

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.

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)

1.1.1 Going concern

With growth in revenues, margin improvement and cost reduction actions, the directors expect the business to be profitable over the year of 2020 and beyond. Financial support will be available from the ultimate parent company; Post NL NV for at least 12 months from the date of signing of the Audit Report and for the foreseeable future. Financial support will be made available subject to the company using its own cash resources first to meet its liabilities. 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.

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the director has considered the future outlook of the Company. by preparing cash flow and profit forecasts covering a period of twelve months from the date that these financial statements were signed. The director has considered the future operating profits, cash flows and facilities available. The directors have also prepared various stress test scenarios and reverse stress tests on these forecasts to support their going concern assessment. On the basis of these additional assessments, the directors consider that the company will continue to be able to meet its liabilities as these fall due for a period of at least twelve months from the date on which these accounts were signed.

No immediate impact of Covid-19 has been noted and the directors have reorganise the company's operations to continue to serve our customers and protect the financial resources of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1.2 Turnover

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

Sales revenue is recognised upon the dispatch of mail.

All revenue originates in the United Kingdom.

1.3 Tangible fixed assets and depreciation

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

S/Term Leasehold Property	-	over the period of the lease
Plant 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1.10 Financial Instruments (continued)

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.

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.

2. Turnover

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

All turnover arose within the United Kingdom.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

3. Operating Profit

The Operating Profit is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of tangible fixed assets:		
- owned by the company	89	80
Operating lease rentals:		
- plant and machinery	82	69
- other operating leases	168	176

4. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	32	25

5. Staff costs

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

	2019 £000	2018 £000
Wages and salaries	1,972	2,128
Social security costs	247	230
Other pension costs	103	92
	2,322	2,450

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

	2019 Number	2018 Number
	88	77

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

6. Directors' remuneration

	2019 £000	2018 £000
Remuneration	**246**	256
Company pension contributions to defined contribution pension schemes	**15**	15

The number of directors' who are members of the money purchase pension scheme is 2 (2018: 2).

During the year, amounts accruing to directors under defined benefit schemes amounted to £nil (2018: £nil).

7. Other income and charges

	2019 £000	2018 £000
Interest payable to group undertakings	**(2)**	(11)
Foreign Exchange Movements	**(41)**	92
Fair Value Loss/(Gain) on Unhedged Derivatives	**181**	(38)
Dividend received from subsidiary	**-**	-
	138	43

8. Tax on (loss) on ordinary activities

	2019 £000	2018 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (Loss)/Profit for the year	**-**	-
Total current tax	**-**	-

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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

	2019 £000	2018 £000
Deferred tax		
Origination and reversal of timing differences	**(7)**	2
Effect of increased tax rate on opening liability	**1**	-
Prior year adjustment	**-**	(35)
Total deferred tax	**(6)**	(33)
Tax on (Loss)/Profit on ordinary activities	**(6)**	(33)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000 (Restated)
(Loss) on ordinary activities before taxation	**(75)**	(22)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(14)**	(4)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**3**	2
Adjustments in respect of prior periods	**0**	(35)
Tax rate changes	**1**	-
Movement in unrecognised deferred tax	**4**	4
Rounding to Tax rate changes	**-**	-
Current tax charge/credit for the year **(see note above)**	**(6)**	(33)

The prior period adjustment is explained in Note 12.

Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2019 is therefore 19% and the rate used for the closing deferred tax balances is 17%. The impact of the announced change to the corporation tax rate from 1 April 2020 to remain at 19% had not been substantively enacted by the balance sheet date. Management do not consider that the impact of this new rate announcement would have a significant impact on the deferred tax position of the company.

A deferred tax asset of £13,600 arising on short term timing differences has not been recognised in this entity on the basis there is insufficient evidence that the assets are forecast to unwind in the foreseeable future.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9. Tangible and Intangible assets

	S/Term Leasehold Property £000	Plant and machinery £000	Intangible Asset £000	Total £000
Cost				
At 1 January 2019	305	76	-	381
Additions	28	26	56	110
Disposals	-	-	-	-
At 31 December 2019	333	102	56	491
Accumulated depreciation & Amortisation				
At 1 January 2019	245	61	-	306
Charge for the year	71	16	2	89
At 31 December 2019	316	77	2	395
Net book value				
At 31 December 2019	17	25	54	96
At 31 December 2018	60	15	0	75

10. Debtors

	2019 £000	2018 £000
Trade debtors	2,269	2,161
Amounts owed by group undertakings	2,066	2,861
Other debtors	1	1
Prepayments and accrued income	757	499
Derivative financial instruments	19	107
Income tax receivable	-	-
Deferred tax asset (see note 12)	227	217
	5,339	5,846

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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 2nd January 2020, the outstanding contracts all mature within 12 months of the year end. The company is committed to buy €7.3m (2018: €10.7m) 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 (£27,771) (2018: £81,237) Forward foreign exchange contracts are held in cash flow hedges. No ineffectiveness (2018: 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

	2019 £000	2018 £000
Trade creditors	**918**	315
Amounts owed to group undertakings	**955**	1,988
Other taxation and social security	**468**	434
Accruals and deferred income	**1,855**	1,865
Deferred tax liability (see note 12)	**-**	-
	4,196	4,602

12. Deferred tax

	2019 £000	2018 £000
At beginning of year	**217**	181
Adjustment in respect of previous years	**-**	35
Credited for year (P&L)	**6**	(2)
Credited for the year (OCI)	**4**	3
Deferred tax liability	**-**	-
Other - rounding	**-**	-
At end of year	**227**	217

The deferred tax is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	**-**	(2)
Short term timing differences – Derivative contracts	**16**	(2)
Movements on Cash Flow Hedges		
Tax losses	**211**	221
	227	217

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

13. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
895,004 (2018: 895,004)- Ordinary shares of £1 each	895	895

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 2019	895	2,200	(1,779)	14	1,330
Share premium reserve	-	-	-	-	-
Profit/(Loss) for the financial year	-	-	(69)	-	(69)
Cash flow hedge reserves	-	-	-	(19)	(19)
At 31 December 2019	895	2,200	(1,848)	(5)	1,242

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

	2019 £000	2018 £000
Opening shareholders' funds	1,330	1,334
Share premium	-	-
Cash Flow Hedges	(19)	(15)
Dividend Paid	-	-
(Loss)/Profit for the financial year	(69)	11
Closing shareholders' funds	1,242	1,330

No final dividend was paid during the year (2019: £nil).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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 £155,448 (2018: £92,411). The pension commitment accrual as at 31 December 2019 is £13,339 (2018: £nil).

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 2019 the company had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land and buildings			Other
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Expiry date:				
Within 1 year	**237**	237	**76**	69
Between 2 and 5 years	**246**	10	**135**	81

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 2019

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.

21. Post balance sheet events

The Company had £1.99m of cash available on its balance sheet at 31 March 2020. The cash balance has increased by £0.6m and stands at £2.59m as at 30 April 2020. The Company has net current assets of £7.08m and positive shareholder's funds of £1.56m as at 31 March 2020.

Based on the negotiations with the main customers and review of the ongoing IT projects and our pipeline, the Company has prepared a trading forecast based on the worst-case scenario to account for Covid-19 outbreak along with Brexit, which are the two foreseen and known risks impacting our company for 2021. The forecast shows a revenue increase of 7.68% to previous year and decline of loss before tax of 37% to current latest forecast of 2020. Under this scenario the Company is expected to generate positive operating cash flow for the year ending 31 March 2021. The main assumptions used in the model are as follows:

- Minimal impact of 10% decline in existing mail business (compared to pre Covid-19 forecast) in revenues
- The stickiness of our recently implemented software assets XBS and MySpring software into customers operations. Reliance of customer organisations on our software platforms, and the time and cost to replace, these with an alternative supplier mean that switching costs will be higher.
- Implementation of Duty Paid Services via new software also support customers with commercial flows
- No changes in the headcount, salary or bonus payments
- Minimal delay in collections of customer payments, as per current experience;
- No external or parent company financing is required.

The Company's three year forward scenario, which takes into consideration the current environment and worst-case potential impact of Covid-19, shows that we are expected to remain profitable and generate positive cash flows for the foreseeable future. As a result, the director has prepared these financial statements on a going concern basis.