Company registration number: 00965783

UK MAIL LIMITED

REPORT AND FINANCIAL STATEMENTS

for the nine months ended 31 December 2016

Contents of Report and Financial Statements

for the nine months ended 31 December 2016

Page	Contents

The directors' present the strategic report of the Company for the nine month period ended 31 December 2016.

PRINCIPAL ACTVITIES

UK Mail Limited (registration number 00965783) is a private limited company incorporated and domiciled in England. The Company is a wholly owned subsidiary of UK Mail Group Ltd (registration number 02800218).

The registered office of UK Mail Limited is at Express House, 120 Buckingham Avenue, Slough, SL1 4LZ.

The Company's principal activities are the operation of parcel and business mail collection and delivery services.

The immediate parent company (UK Mail Group Ltd) was previously listed on the London Stock Exchange (as UK Mail Group plc.). In September 2016, the boards of Deutsche Post AG and UK Mail Group plc announced that a recommended provisional offer had been made by Deutsche Post AG to acquire the entire issued and to be issued share capital of UK Mail Group plc, which duly completed on 22 December 2016.

On 22 December 2016, and In order to align the financial reporting period with Deutsche Post AG, the Company changed its accounting reference date to 31 December 2016. Comparatives relate to the year ended 31 March 2016.

On 23 December 2016 the parent company (UK Mail Group plc.) delisted from the London Stock Exchange and re-registered as a private limited company (UK Mail Group Ltd), remaining incorporated and domiciled in England.

STRATEGY

Our strategy is to grow revenue and profitability by establishing a market leading position in our key markets of parcels and mail, with a clear focus on high service levels and network efficiency together with product and service innovation. To do so, and to facilitate the future growth of the business, we are also creating additional capacity, both in our operations and in support areas including significant investment in I.T.

High service levels

High service levels are a vital element for success in our industry. Customers and recipients expect their consignments to be delivered to the agreed timescale without loss or damage. Service levels in this respect, in both our Parcels and Mail businesses are therefore routinely monitored on a regular basis, and issues identified and corrective actions are taken whenever necessary.

Network efficiency

A low cost, efficient network is key to our market position. This allows us to win and retain contracts at good profit levels in markets that continue to be very competitive.

The key factors in achieving this objective are:

An integrated network for our Parcels, Mail and Courier Businesses

This integration allows us to spread the fixed costs of our operation and also drive operational benefits. The integrated nature of our network, which is unique in the UK, also allows us to offer services our competitors cannot match, enabling both operational efficiencies and enhanced delivery options for customers.

Extensive and innovative use of I.T.

In our industry I.T. is a key differentiator. We handle some 230,000 parcels each night together with some 12m mail items. The ability to track the progress of these items through our network and to provide customers with information on this progress is vital, as is the provision of sophisticated solutions centred on the end-consumer experience.

In the period we have continued to invest in our I.T. infrastructure, increasing capacity and resilience. Last year we introduced new data services and information to our recipients and we have continued on our goal to support and drive innovation in our business through a multiyear I.T. change programme, centred on a service orientated architecture framework.

Automation

Effective use of automated sortation is vital in our industry, to minimise sortation costs and to increase capacity.

Following the move to the new Ryton hub with its new automated sortation equipment, we intend to continue to increase the level of automated sortation. We have taken action to amend the profile of the consignments we handle to make the best use of the automated parcel sorter. There will however remain a significant element of the consignments that we handle that will not be compatible with automated sortation, normally due to their size. The ability to handle such consignments is a key differentiator for us compared to those competitors who are 100% automated. To allow us to efficiently handle these 'non-machineable' consignments we have added a second central hub which will be utilised principally for this purpose.

Product and Service Innovation

The third key factor in our strategy is product and service innovation. We are focussed on continuing to expand the size of the markets available to us and on increasing our share of these markets. To do so we continue to introduce new and innovative products and services in both our Parcels and our Mail businesses. This strategy continues to gain valuable traction in helping us to win new customers.

The key areas we are progressing are:

ipostparcels: a leading parcels collection and delivery service targeting the internet end-customer/small businesses
Retail Logistics: a parcel delivery service targeting the needs of retail businesses
imail: a market leading hybrid (web-to-print) postal service
imailprint: an internet based printing service, linked to imail, which can meet localised printing requirements
Packets: a packet collection and delivery service providing cost effective solutions in conjunction with Royal Mail's delivery service

Making Profitable Use of Increased Capacity

UK retail e-commerce sales are predicted to increase by some 10% p.a. driven by the continued strong growth in online shopping. We have the opportunity to benefit from market growth this will create, together with the potential to grow our market share.

To manage this growth we have increased the capacity in our operations, and our objectives now are to make the best use of this and therefore increase the profitability of the volumes processed.

Hub/Network Capacity

Increasing the capacity of our overall network is vital as our core markets continue to show strong growth. We will achieve this through fully utilising the new central hub and through localised expansion where needed. The new automated hub is operating well and achieving good throughput levels, and our objective now is to further increase the volumes that it processes, through improved network planning and hub operating methods, and through further enhancements to the automated sorter throughput. We have commenced a programme to extend the sorter which will increase its capacity by some 10% in time for the peak volumes in 2017.

Our second central hub continues to operate well; this is focussed on the 'non-machineable' freight that is not efficient for our automated hub to process. This facility increases our overall capacity and allows us to handle freight that, whilst bulky and not suitable for automated sortation, can provide a profitable income stream.

We have also increased the capacity of two of our network depots in the period with plans to increase the capacity of a further four in 2017.

Innovation in Delivery Methods

To make the most efficient use of our delivery sites and vehicles, as well as to provide a range of delivery options to recipients, we are progressing a range of innovations in our delivery methods. These include deliveries throughout the day and evening, which make best use of our delivery sites and vehicles as well as providing flexibility for customers. We are also progressing alternative delivery and collection options such as retail stores and locker boxes.

Creating Support Capacity

The number of transactions processed in our business on a daily basis, including parcels and mail, has increased significantly in the last few years. We have enhanced our support capacity to manage this growth, with a key emphasis on our I.T. infrastructure. We are now progressing plans to create significant further such capability to support the future growth potential of the business.

BUSINESS REVIEW

For the nine month period ended 31 December 2016 the Company delivered a profit before taxation of £7,605,000 (Year ended 31 March 2016: £15,023,000) on revenue of £356,087,000 (Year ended 31 March 2016: £480,982,000). The directors' consider these results to be in line with their expectations.

Parcels

On a like for like basis, revenues of £194,313,000 in the nine month period ended 31 December 2016 (Year end 31 March 2016: £247,871,000) in Parcels, which comprises the Company's business-to-business (B2B), business-to consumer (B2C) and international parcel delivery service and courier operations were up some 4.5%.

Parcels average daily volumes increased by 3.0% compared to last year. We continue to see an on-going volume mix change towards the lower margin B2C segment.

The Parcels operating margin for the period increased to 8.1% (Year ended 31 March 2016: 6.4%), resulting in operating profit before exceptional items for the nine month period of £15,658,000 (Year ended 31 March 2016: £15,815,000).

This improvement in performance shows the good progress we are makings in enhancing operating efficiency, particularly in our central hub.

The efficiency of the main hub will continue to progress as we further improve operating methods and new customers come on board thereby increasing volume throughput, with some of the new volume arriving at the new hub throughout the day rather than just in the peak hours.

In addition our linehaul template has been successfully re-engineered to fully align it with the efficiency of the new hub. We have successfully introduced a new computerised model to optimise the planning of our linehaul routing. This has delivered improvements in trunk vehicle utilisation levels and therefore a reduction in overall linehaul costs.

Peter Fuller joined as Operations Director in April 2016. With substantial experience in parcels distribution and specifically in managing automated facilities, most recently at Parcelforce where he was Operations Director, Peter has been instrumental in the development and execution of our plans.

The operation is now working well, with much improved efficiency and very high service levels. The next stage of our plans involves further improving our operational efficiency and growing our parcels volumes with an emphasis on a more focussed approach to sales activity.

We continue to make good progress with product innovations in our Parcels business. These include Retail Today, our same-day delivery service combining our parcels and courier operations, and ipostparcels, which represents one of the lowest-cost and most user-friendly online collection and delivery services available in the UK. Revenues and profits grew well for these operations and we continue to invest in further enhancing our services in these areas.

Key to our parcels market position is the provision of value added services that customers increasingly demand. Our enhanced next day delivery service, which offers advance-notice one-hour delivery and collection windows, is consistently achieving strong service levels of over 95%. We continue to enhance this service to include further customer features, including the ability to redirect a delivery after the delivery driver has left the depot as well as GPS 'stamping', which is a key function to allow us to confirm that a delivery has been made based on the GPS coordinates of the delivery confirmation. We are also progressing our plans to offer parcel drop-off and collection points, including a trial with a national multi-site retailer.

Mail

On a like for like basis, mail revenues of £161,774,000 for the nine month period ended 31 December 2016 (Year ended 31 March 2016: £233,111,000) decreased by some 7.5%.

Our daily Mail volumes in the nine month period to 31 December 2016 decreased by 2.0% compared to those achieved during the previous year ended 31 March 2016.

Whilst our Mail business has benefitted from the overall improvement in the efficiency of our operation, the pricing environment within the mail market remains highly competitive.

As a result, the Mail operating margin for the period decreased to 3.8% (Year ended 31 March 2016: 4.4%), resulting in operating profit before exceptional items for the nine month period of £6,201,000 (Year ended 31 March 2016: £10,167,000).

We have been successful in growing our volumes and our market share despite the underlying structural decline in the physical mail market overall. In the past nine months there have been a number of substantial mail accounts out for tender, and we have achieved a strong record of retaining existing customers, and of winning competitor accounts, albeit with some pricing pressures.

Our continued product innovation has helped us to offset this mail market decline and the associated pricing pressures, and will continue to do so. imail, our web-to-print postal service, continues to show good revenue and profit growth. We continue to invest to increase our capacity and provide additional services.

A key growth element of the Access Mail market is the rising popularity of packets; a market we estimate to be worth some £1.2bn. Whilst we have made some progress in this area in recent years, our share of the market remains very low. We now have a clear plan in place to grow our market share. In the autumn we opened a specialist packets sortation centre which allows us to offer a service that fully meets our customers' requirements. We have increased the size of our sales team to capitalise on this and are gaining good traction with customers. We expect to see a positive impact in the current financial year, and continue to believe that this area will be key to growing our Mail revenues and profitability in the future.

UK Mail remains a market leader with an operational template ideally suited to the evolving demands of the mail market. We remain focussed on growing our business by handling additional mail for existing customers and winning volumes from other Downstream Access operators. We continue to invest for the future, and see substantial growth opportunities for the medium and longer term.

Central Costs

The Company incurred Central costs before exceptional items of £10,687,000 during the nine month period ended 31 December 2016 (Year ended 31 March 2016: £14,204,000). We continue to invest significantly in I.T.; however this investment has been offset by savings in other areas.

Net exceptional costs

Net exceptional costs of £3,256,000 were incurred during the year, of which £3,083,000 related to professional fees in connection with the acquisition of the UK Mail Group by Deutsche Post AG (year ended 31 March 2016 £nil).

KEY PERFORMANCE INDICATORS

A number of performance measures are used to assess the development, underlying business performance and position of the Company. These are used collectively, and are periodically reviewed to ensure that they remain appropriate and meaningful measures of the Company's performance.

Financial

- Revenue growth
- Operating profit
- Operating profit margin

These are all discussed in the sections above.

Further non-financial performance measures relate to the success and safety of our people and environmental performance, including accident rates, health and safety compliance, and waste recycling.

Description	Actual 2013 Base year	Target 9 months ended 31/12/16	Actual 9 months ended 31/12/16	Actual Year ended 31/03/16	Change against 31/03/16	Variance Against Target	Target Year ended 31/12/17
Land diversion (%)	87.88	86.15	88.06	83.62	+4.4 ppts	+1.91 ppts	88.00
Waste to landfill (tonnes)	340.15	375.86	224.13	395.41	-43.32%	-40.37%	285.37
Total waste (tonnes)	2,806.49	2,470.89	1,877.45	2,417.88	-22.35%	-24.02%	2,378.10
Water consumption (m3)	35,840	35,229	25,217	35,802	-29.57%	-28.42%	33,545
Health & Safety compliance (%)	95.25	95.00	93.11	94.46	-1.35 ppts	-1.89 ppts	95.00
Workplace fatalities (No)	0	0	0	0	-	-	0
Maintain ISO 14001 corporate site compliance (% of the 41 corporate sites)	100	100	100	100	-	-	100
Staff Turnover (%)	20.17	20.00	18.96	27.51	-8.55 ppts	-1.04 ppts	20.00

* ppts denotes percentage points.

Land Diversion

31/12/16 Achievement	88.06% – 1.91 ppts better than target
31/12/16 Target	86.15%

We have installed compactors at our Ryton Hub which enable us to bale a significant amount of cardboard and shrink wrap. We have also worked with our waste contractors and our sites to identify improvements to the way we segregate waste to ensure recycling is increased.

Waste to landfill (tonnes)

31/12/16 Achievement	224.13 – 40.37% better than target
31/12/16 Target	375.86

We continue to improve the management of our waste. We expected around a 20% reduction. Again, this is partly due to improvements to recycling and segregation of waste at sites. We only have two waste streams; landfill and mixed recyclables.

Water consumption (m3)

31/12/16 Achievement	25,217 – 28.42% better than target
31/12/16 Target	35,229

This has been achieved by reducing the amount of vehicle washing activity and through sites identifying areas where water usage can be reduced.

The new Ryton location includes rain water harvesting systems for toilet flushing, timed taps in the washrooms and a water-recycling vehicle wash.

Health & Safety Compliance

31/12/16 Achievement	93.11% – 1.89 ppts adverse to target
31/12/16 Target	95.00%

We fully embrace and endorse the legal and moral obligation to protect the health, safety and welfare of employees and others who may be affected by our operations.

The Health & Safety Department continues to work with sites who have failed to achieve the pass mark to ensure improvements are made and maintained.

Workplace fatalities

31/12/16 Achievement	0
31/12/16 Target	0

Total waste (tonnes)

2016/17 Achievement	1,877.45 – decrease by 24.02%
2016/17 Target	2,470.89

The total waste produced was almost 25% adverse to target. However, there has been more business activity (increased volumes) but the quantity of waste produced is challenging.

ISO 14001 Corporate Sites

31/12/16 Achievement	100%
31/12/16 Target	100%

ISO 14001 is the key certification standard for Environmental Management Systems. It sets rigorous demands for the continuous improvement of our environmental management system provisions and is externally audited and verified by an UKAS accredited certification body on a regular basis. We are pleased to report that we continue to hold ISO14001 certification across all of our corporate sites.

Due to the rigorous demands placed on the entire UK Mail network, by the transition to loose loading, the move to our new National Hub at Ryton and a number of associate sited moves it has not been possible to progress the objective to introduce ISO14001 compliant environmental management systems at all franchise locations. However, UK Mail continues to impose strict environmental compliance requirements upon franchise sites which are audited by our internal Health and Safety team.

Staff turnover

31/12/16 Achievement	18.96% - 1.04 ppts better than forecast
31/12/16 Target	20.00%

The decrease in the staff turnover is a result of improved stability in the employee population following our relocation to a new national hub at Ryton.

PRINCIPAL RISKS AND UNCERTAINTIES

The table below details the principal risks and uncertainties faced by the Company and the steps taken to mitigate such risks and uncertainties. The Board considers these to be the most significant risks, and whilst not directly comparable, they have been ranked in terms of relative importance to the Company at this time.

They do not comprise all of the risks identified by the Company, nor those presently unknown to management, or those currently deemed less material, which may also have an adverse effect on the business.

Risk	Potential Impact	Mitigation
Operational plan failure		
The Company relocated to a new National hub at Ryton following contractual agreement with HS2 Ltd to acquire the National hub at Birmingham.	Operational costs may be higher than expected, whether directly at the hub or within the wider network.	Operational performance is closely monitored by operational management. Plans are well progressed to reduce operational costs and increase hub capacity.
Whilst the new hub is fully operational, it is not operating at the planned level of throughput and efficiency.	Additional hub capacity is required to handle 'non-machinable' freight.	A second hub for 'non-machinable' freight has been introduced.

Risk	Potential Impact	Mitigation
IT Systems failure Reliance is placed upon the proper functioning of IT systems for the effective running of operations.	Any prolonged interruption to the Company's IT systems could have a materially adverse effect on its business. The Company could suffer loss of confidential data and damage to its brand reputation, and face regulatory penalties.	The Company has a Business Continuity Plan in the event of IT systems failure. Networks are protected by firewalls and anti-virus protection. Systems are backed up, and offsite disaster recovery facilities exist in the event that a major issue affects one of our key locations. Executive Director approval is required for any material system changes. A full implementation review and/or parallel running is/are undertaken by the sponsoring department and IT prior to any new system 'go live'. The Company has initiated two key medium-term IT modernisation projects to cater for significantly increased transactional volumes.
Competitive The Company operates in highly competitive markets and faces competition from international, national, regional and local companies, as well as the Royal Mail.	Increased competitive activity could lead to an adverse effect on results, either through loss of customers or pressure on margins, putting growth, profitability and cash flow at risk.	Market activity, and competitor behaviour, and trading opportunities are regularly reviewed. Dedicated customer account teams exist for larger accounts. Hierarchical approval for customer rates charged. The Company seeks to expand the available market through the introduction of new products and services. The Company's customers are spread across a large number of business sectors and wide geography.

Risk	Potential Impact	Mitigation
Business continuity The Company could be materially affected if there was a significant incident such as a terrorist incident, fire or flooding, particularly at one of the major hubs, or the main automated sortation equipment was inoperable for a period of time.	Severe disruption and reputational damage to the business, which would ultimately impact on the Company's financial performance.	A detailed Business Continuity Plan is being developed for the main Ryton site, which once operational will be tested on a rotational basis. Business continuity plans exist and are regularly tested at all the other sites.
Legislation and regulation The Company is subject to numerous laws and regulations, with the mail market additionally regulated by the Office of Communications ('Ofcom'). The Company, in common with many businesses, is subject to litigation from time to time.	Failure to comply or respond could lead to financial loss, either from financial penalties or damages, redeployment of management resource, or reputational damage to the Company.	The Company keeps abreast of forthcoming legislative and regulatory changes, and maintains controls and procedures to ensure full compliance. The Company maintains active engagement with Ofcom, responding to consultations, when relevant. The Company maintains both in house and external legal expertise.
Loss of key management The Company is highly reliant on the continued service of its key executives and management, who possess commercial, operational, IT and financial skills that are critical to the success of the Company	Loss of knowledge and/or necessary expertise resulting in a reduced ability to achieve the Company's strategic and business objectives. Loss of competitive advantage due to the delayed delivery of projects or required developments.	Remuneration packages are regularly reviewed to ensure that key executives and management are remunerated in line with local prevailing market rates. Senior management regularly reviews the availability of the required skills within the Company, and will seek to engage suitable staff where necessary. Positions can be backfilled by contract staff, providing headroom to the key executive or manager. All employees are appraised at least twice per year with agreed objectives and development plans set.

S Glew
Director
22 June 2017

The directors' present their report and audited financial statements for the nine month period ended 31 December 2016. As explained in the strategic report, the company's accounting reference date was changed from 31 March to 31 December in order to align its accounting period with Deutsche Post AG following the takeover in December 2016 (comparative information relates to year end 31 March 2016).

RESULTS AND DIVIDENDS

An interim dividend of £5,000 per ordinary share was paid in September 2016 (Year ended 31 March 2016: £nil) amounting to £5,000,000 (Year ended 31 March 2016: £nil). The directors' do not recommend the payment of a final dividend (Year ended 31 March 2016: £nil).

The profit for the financial period of £5,176,000 (Year ended 31 March 2016: £12,397,000) has been transferred to reserves.

DIRECTORS'

The directors' who have held office during the nine month period and up to the date of approval of the financial statements were:

P Fuller (appointed 12 December 2016)
S Glew
P Kane (Chairman)
C Mangham (appointed 12 December 2016)

CHARITABLE AND POLITICAL DONATIONS

During the nine month period ended 31 December 2016, the Company made charitable donations of £29,482 (Year ended 31 March 2016: £26,312). The Company made no political donations (Year ended 31 March 2016: £nil).

EMPLOYMENT POLICY

The Company's policy is to maintain, as far as practicable, close consultations with employees on matters likely to affect their interests and, to this end, has an established Employee Consultative Group. The Company is an equal opportunities employer and holds an 'Investors in People' certificate.

The Company's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities and the retention and retraining of employees who may become disabled during their employment.

Prior to the parent company's delisting in December 2016, many employees were stakeholders in the business through participation in share option and long term incentive plan schemes.

Financial Risk Management

The management of the business and the execution of the Company's strategy are subject to a number of risks. The primary risks and uncertainties facing the business which could have a material adverse impact on the Company include:

Market risk

Overall, since the vast majority of the Company's activities are provided to UK businesses, the fortunes of the Company are linked to the general health of the UK economy. The Company's exposure is limited by being spread across a wide range of customers and industry sectors. No single customer accounts for more than 5% of revenue.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These risks arise principally from the credit exposure to trade receivables, as well as from cash and cash equivalents.

The Company has no significant concentrations of credit risk. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated, with no one customer accounting for more than 6.3% of trade receivables. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence and strict credit control of outstanding amounts. Trade credit insurance is employed to protect any significant exposure to bad debts.

Price risk

Royal Mail access costs represent a significant cost to the Company. Price risk is limited as Ofcom is mandated to maintain sufficient headroom between retail and access prices, such that competition is encouraged within the mail industry.

Whilst fuel costs less than 2% of total costs there is an element of price risk. Price risk is minimised as significant increases in the fuel price can be passed onto the majority of customers via a fuel surcharge mechanism common throughout the express delivery industry.

Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. These largely comprise cash at bank and in hand, borrowings, finance leases and amounts owed to and from group undertakings.

Liquidity risk

The Board reviews both the long and short-term financing requirements of the Company to ensure that there are sufficient available funds both for the day-to-day operations of the Company and for planned capital investments.

As at 31 December 2016, the Company had drawn £15,650,000 on the revolving credit facility ('RCF') of £25,000,000 (31 March 2016: £nil drawn), initially in place until 31 May 2019. The RCF has been repaid in full subsequent to the reporting period end.

The Company also has an undrawn overdraft facility of £10m (31 March 2016: £10m), in place until 28 February 2017.

Capital risk

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to the parent company. The Company's policy has been to maintain a strong capital base in order to sustain the future development of the business and maintain creditor confidence. The Board's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Board seeks to maintain a balance between the level of debt (which for these purposes includes finance leases) and the advantages and security afforded by a sound capital position. In order to maintain or adjust the capital structure, the Company may draw on borrowing facilities, or sell assets to reduce debt.

Foreign exchange risk

The Company is not significantly exposed to the effects of fluctuations in exchange rates since all income is in sterling and costs denominated in foreign currency, principally the Euro, represent less than 1% of all expenditure.

There would have been no material impact on profit before tax or equity in the nine month period ended 31 December or year ended 31 March 2016, had Sterling strengthened or weakened 10% against the Euro.

DIRECTORS' INDEMNITIES

The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors' and officers' (including former directors' and officers who have held office during the nine month period ended 31 December 2016) in the discharge of their duties. This is a qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006.

These indemnities would not provide any coverage where a director is proved to have acted fraudulently or dishonestly.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors' are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors' to prepare financial statements for each financial 9 month period. Under that law the directors' have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors' are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors' 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 auditors and disclosure of information to auditors

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

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board

S Glew
Director
22 June 2017

Report on the financial statements

Our opinion

In our opinion, UK Mail Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the 9 month period (the "period") 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.

What we have audited

The financial statements, included within the Report and Financial Statements "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 June 2017

STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 31 December 2016

	Note	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Revenue	3	356,087	480,982
Cost of sales		(314,906)	(431,602)
Gross profit		41,181	49,380
Administrative expenses before exceptional costs		(30,009)	(37,602)
Operating profit before exceptional items		11,172	11,778
Deutsche Post AG acquisition costs	4	(3,083)	-
Revolving credit facility	4	(173)	-
Profit on sale of national hub	4	-	1,126
HS2 compensation	4	244	16,499
National hub relocation costs	4	(244)	(7,085)
Cost of automation implementation	4	-	(644)
Impairment of intangible assets	4	-	(3,778)
Impairment of tangible assets	4	-	(981)
Management reorganisation	4	-	(1,354)
UK Pallets closure costs	4	-	(35)
Total exceptional items		(3,256)	3,748
Operating profit	5	7,916	15,526
Finance income	6	12	4
Finance costs	6	(323)	(507)
Profit before taxation		7,605	15,023
Tax on profits	8	(2,429)	(2,626)
Profit for the financial period		5,176	12,397
Total comprehensive income for the period		5,176	12,397
Total comprehensive income attributable to:			
Equity owners of the Company		5,176	12,397

The related notes numbered 1 to 28 form part of these financial statements

UK MAIL LIMITED

BALANCE SHEET

as at 31 December 2016

	Note	31 December 2016 £'000	31 March 2016 £'000
ASSETS			
Non-current assets			
Intangible assets	9	**10,130**	8,871
Investment property	10	**-**	1,705
Property, plant and equipment	11	**72,308**	73,394
Deferred tax asset	18	**1**	301
		82,439	84,271
Current assets			
Inventories	13	**237**	267
Trade and other receivables	14	**66,547**	64,780
Cash and cash equivalents	15	**415**	3,376
		67,199	68,423
LIABILITIES			
Current liabilities			
Borrowings	16	**(16,083)**	(233)
Trade and other payables	17	**(74,658)**	(94,220)
Current tax liabilities		**(2,502)**	(1,478)
Provisions	19	**(755)**	(1,158)
		(93,998)	(97,089)
Net current liabilities		**(26,799)**	(28,666)
Non-current liabilities			
Borrowings	16	**(4,038)**	(4,364)
Deferred tax liabilities	18	**(2,814)**	(2,732)
Provisions	19	**(785)**	(831)
		(7,637)	(7,927)
Net assets		**48,003**	47,678
Shareholders' equity			
Ordinary shares	20	**1**	1
Retained earnings		**48,002**	47,677
Total equity		**48,003**	47,678

The financial statements on pages 23 to 65 were approved by the board of directors on 22 June 2017 and were signed on its behalf by:

S Glew
Director

The related notes numbered 1 to 28 form part of these financial statements

Registered number: 00965783

STATEMENT OF CHANGES IN EQUITY

for the nine months ended 31 December 2016

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 April 2015	**1**	**35,449**	**35,450**
Profit for the financial year	-	12,397	12,397
Total comprehensive income for the year	**-**	**12,397**	**12,397**
Employees' share option scheme:			
- value of employee services	-	(78)	(78)
- tax on items taken directly to equity	-	(91)	(91)
Total transactions recorded directly in equity	**-**	**(169)**	**(169)**
Balance as at 31 March 2016	**1**	**47,677**	**47,678**
Balance as at 1 April 2016	**1**	**47,677**	**47,678**
Profit for the financial period	-	5,176	5,176
Total comprehensive income for the financial period	**-**	**5,176**	**5,176**
Dividends paid	-	(5,000)	(5,000)
Employees' share option scheme:			
- value of employee services	-	149	149
Total transactions recorded directly to equity	**-**	**(4,851)**	**(4,851)**
Balance as at 31 December 2016	**1**	**48,002**	**48,003**

1 General information

UK Mail Limited (registration number 00965783) is a private limited company incorporated and domiciled in England. The Company is a wholly owned subsidiary of UK Mail Group Ltd (registration number 02800218).

The immediate parent company UK Mail Group Ltd was previously listed on the London Stock Exchange (as UK Mail Group plc.) until 22 December 2016, when it was successfully acquired by Deutsche Post AG, a company listed in Germany.

The Company's principal activities are the operation of parcel and business mail collection and delivery services.

The registered office of UK Mail Group Limited is at Express House, 120 Buckingham Avenue, Slough, SL1 4LZ.

2 Principal accounting policies

Accounting policies for the nine month period ended 31 December 2016

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

This is the first period in respect of which the Company has prepared its financial statements under FRS 101. The previous financial statements for the year ended 31 March 2016 were prepared under International Financial Reporting Standards ('IFRS') adopted by the EU. The date of transition to FRS 101 for the company is 1 April 2015.

2 Principal accounting policies - continued

The transition to FRS101 has not led to any accounting differences as FRS 101 uses the recognition and measurement criteria of EU adopted IFRS.

The Company has taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of IFRS 7 Financial Instruments Disclosures
- IAS 24 requirements to disclose intercompany transactions between related parties that are wholly controlled by the parent entity and key management compensation
- The requirement to produce a Company cash flow statement under IAS 7, 'Statement of cash flows', as the cash flows of the company are included in the consolidated financial statements of Deutsche Post AG
- The requirement to present certain comparative period disclosures under IAS 1
- Certain disclosures in respect of share-based payment arrangements

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

The directors' of the Company believe that preparation of the financial statements on the going concern basis is appropriate due to the continued financial support of Deutsche Post AG, the Company's ultimate parent undertaking. The directors' have received confirmation that Deutsche Post AG intend to support the Company for a period of at least one year from the signing of these financial statements.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2016, have had a material impact on the Company.

2 Principal accounting policies (continued)

Intangible assets

Intangible assets include acquired computer software licences not part of the operating software acquired with a related piece of hardware. These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful economic lives, of between three and seven years, which are reviewed annually.

Costs that are directly associated with development of identifiable and unique software products generated for use by the Company, and where it is probable that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These represent the direct employment costs of software developers' time spent on relevant projects. Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful economic lives, of between three and seven years, which are reviewed annually

Investment properties

Investment properties comprise of freehold and leasehold land and buildings held for long term rental yields and are not occupied by the Company.

Investment properties are accounted for under the cost model, at cost less accumulated depreciation and accumulated impairment losses and are depreciated either over fifty years (in the case of freehold properties), or over the period of the lease on a straight line basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes the original purchase price of the asset and the cost of bringing the asset to its working condition for intended use. Borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Depreciation

Depreciation is provided on a straight line basis so as to write off the cost of the assets to their residual value over their estimated useful economic lives, which are principally:

2 Principal accounting policies (continued)

Freehold buildings	fifty years
Short leasehold buildings	the period of the lease
Motor vehicles, plant and equipment	three to fifteen years
Computer equipment	three to seven years

Freehold land is not depreciated.

The normal expected useful lives and residual values of the major categories of property, plant and equipment are reviewed annually.

The carrying value of property, plant and equipment is reviewed at least annually. Any resultant impairment losses are charged immediately to the statement of comprehensive income.

Impairment

At each balance date, the Company reviews the carrying amount of non-current assets to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to that asset.

An impairment loss for an individual asset will be reversed if there has been a change in estimate used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of amortisation or depreciation, had no impairment loss been recognised.

Inventories

Inventories represented by fuel stocks held by the Company, are stated at the lower of cost and net realisable value.

Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business.

2 Principal accounting policies (continued)

Finance and operating leases

Leasing agreements, which transfer to the Company substantially all the risks and rewards of ownership of an asset, are treated as if the asset has been purchased outright and are classified as finance leases. The assets are included in non-current assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give constant periodic rates of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Leases where the Company does not retain substantially all the risks and rewards of ownership of an asset, are classified as operating leases. Operating lease rental payments, including lease incentives, are recognised as an expense in the statement of comprehensive income on a straight line basis over the term of the lease. Similarly, where the Company acts as a lessor, operating lease income is credited to the statement of comprehensive income on a straight line basis over the term of the lease.

Revenue

Revenue reflects all sales made by the Company, whether delivered by network services, franchises or sub-contractors. The Company remains the principal in all transactions, save where it acts as an agent under an agency access arrangement with the Royal Mail ('AFA revenue'), on behalf of its customers.

AFA revenue represents charges for Royal Mail postal services whereby the Company recognises its share of the overall transaction charge to the customer as revenue, excluding those elements collected on behalf of, and payable to the Royal Mail, for their services.

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Company and can be reliably measured.

Income from investment properties is recognised on a straight line basis over the term of the lease, even if the payments are not received on such a basis.

All revenues are stated net of value added tax.

2 **Principal accounting policies (continued)**

Cost of sales

Cost of sales reflects all the direct costs incurred in the collection and delivery of a consignment, including the costs of sub-contracted and employed drivers, linehaul costs, and Royal Mail access costs (save for AFA access costs which are not shown in the Income Statement as UK Mail Ltd acts as the agent for the customer), together with the direct costs of operating the network. Cost of sales includes the depreciation cost of mail sortation machines, network vehicles, cages and site equipment.

Administrative expenses

Administrative expenses reflect all the establishment and central support costs of the Company, including the remuneration of non-operational site based staff and UK Mail head office personnel, depreciation of buildings, amortisation of central IT systems, and bad debts.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company provides for deferred income tax using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

Deferred taxation is recognised in the statement of comprehensive income unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the statement of comprehensive income at the same time as the taxable transaction is recognised in the statement of comprehensive income.

2 Principal accounting policies (continued)

Pension costs

The Company makes contributions to a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension costs charged in the statement of comprehensive income represent contributions payable by the Company to the scheme together with the administration charges of the scheme.

Foreign currencies

Transactions in foreign currencies are recorded in sterling at the rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising from trading transactions are dealt with in the statement of comprehensive income.

Share-based payments

The costs of equity-settled share-based payments are recognised in the statement of comprehensive income with a corresponding increase in equity over the vesting period as services are provided to the Company.

The charge is based on the fair value of the equity instrument granted and the number of equity instruments that are expected to vest. The fair value is measured at grant date and takes account of vesting conditions that relate to the market price of the ultimate parent company's shares. In order to determine the value of the instrument a pricing model relevant to the type of instrument is used.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2 Principal accounting policies (continued)

Contingent assets

Contingent assets are those possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In accordance with IFRS, contingent assets are not recognised as assets.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IFRS, contingent liabilities are not recognised as liabilities.

Exceptional items

Material and non-recurring items of income and expense are disclosed in the statement of comprehensive income as exceptional items. Examples of items which may give rise to disclosure as exceptional items include material gains or losses on the disposal of businesses or non-current assets, material asset impairments, and business reorganisation and restructuring costs.

Dividends

Interim dividends are recognised as a distribution from retained earnings in the period in which they are paid.

Final dividends are recognised as a distribution from retained earnings in the period in which they are approved and declared by the directors.

Share capital

Ordinary shares are classified as equity.

2 Principal accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Trade and other receivables: These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off to the statement of comprehensive income when identified.

Trade and other payables: Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings: All interest-bearing loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium.

2 Principal accounting policies (continued)

Cash and cash equivalents: These comprise cash in hand and current account and demand deposit balances with banks and similar institutions, which are readily convertible to a known amount of cash within three months and which are subject to insignificant risk of changes in value.

3 Analysis of divisional results

The business results for the nine month period ended 31 December 2016 are as follows:

	Mail £'000	Parcels £'000	Central £'000	Total £'000
Revenue	**161,774**	**194,313**	**-**	**356,087**
Operating profit/(loss) before exceptional items	**6,201**	**15,658**	**(10,687)**	**11,172**
Exceptional items – administrative expenses	**153**	**(274)**	**(3,135)**	**(3,256)**
Operating profit/(loss)	**6,354**	**15,384**	**(13,822)**	**7,916**
Finance income				**12**
Finance costs				**(323)**
Profit before taxation				**7,605**
Tax on profit				**(2,429)**
Profit attributable to equity shareholders				**5,176**

3 Analysis of divisional results (continued)

The business results for the year ended 31 March 2016 are as follows:

	Mail £'000	Parcels £'000	Central £'000	Total £'000
Revenue	233,111	247,871	-	480,982
Operating profit/(loss) before exceptional items	10,167	15,815	(14,204)	11,778
Exceptional items – administrative expenses	(1,613)	11,690	(6,329)	3,748
Operating profit/(loss)	8,554	27,505	(20,533)	15,526
Finance income				4
Finance costs				(507)
Profit before taxation				15,023
Tax on profit				(2,626)
Profit attributable to equity shareholders				12,397

4 Exceptional items

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Profit on sale of national hub	-	1,126
HS2 compensation	244	16,499
Exceptional income	244	17,625
Deutsche Post AG acquisition costs	(3,083)	-
Revolving credit facility	(173)	-
National hub relocation costs	(244)	(7,085)
Cost of automation implementation	-	(644)
Impairment of intangible assets	-	(3,778)
Impairment of tangible assets	-	(981)
Management reorganisation	-	(1,354)
UK Pallets closure costs	-	(35)
Exceptional costs	(3,500)	(13,877)
Net exceptional (costs)/income	(3,256)	3,748

Exceptional income

The profit on sale of the national hub represented the gain on sale following the compulsory acquisition of our National hub and offices at Birmingham by the DfT and HS2 Ltd, as a result of the proposed High Speed Two ('HS2') railway.

The HS2 compensation related to agreed compensation for the impact of HS2 on our business.

Exceptional costs

In September 2016, the boards of both Deutsche Post AG and the Company's parent company, UK Mail Group plc. ('UK Mail) announced the terms of an agreed recommended offer for UK Mail, which was conditional amongst other factors of both at least 75% UK Mail shareholder approval and court sanction.

Consequently, the Company incurred professional fees of £3,083,000 (Year ended 31 March 2016: £nil) in connection with the transaction.

As detailed in previous years, and in order to provide the Company with sufficient cash resources to fund its investment programme, in May 2014 the Company agreed a £25m five year revolving credit facility with Lloyds Bank plc. Following the takeover by Deutsche Post AG, the Company received a letter of assurance from Deutsche Post AG, that financing

4 Exceptional items - continued

would be provided 'in house', and therefore it was agreed that the Company's five year revolving credit facility, which was due to expire in May 2019, should be repaid in full. As a result, the remaining £173,000 of unamortised arrangement fees were written-off, as an exceptional cost (Year ended 31 March 2016: £nil).

National hub relocation costs represented disturbance costs associated with the relocation of our National hub and offices to Ryton following an agreement reached with the Department of Transport ('DfT') to acquire the National hub and offices in Birmingham.

These costs largely comprise £3,992,000 of disturbance payments including recruitment and redundancy costs and legal and professional fees. £2,540,000 of property costs associated with running two sites for an approximate period of six months, hub expansions costs of £265,000 and £288,000 loss of profit due to the delay in hub capacity expansion.

The cost of automation implementation represented the implementation and roll-out costs incurred in respect of the new automaton equipment. These costs largely represented asset write offs and contract termination costs.

The impairment of intangible assets represented the impairment cost recognised following a comprehensive strategic review of the Company's I.T. systems during the year ended 31 March 2016 which identified a number of software assets that did not fit within the medium and long term strategic goals of the Company, and which therefore offered no future economic value.

The impairment of tangible assets represented the cost of sortation equipment and related facilities that were no longer required given the revised automation strategy of the business.

The management reorganisation costs principally related to the reorganisation of the Company's Board which occurred during the year ended 31 March 2016. These costs included the contractually agreed payments to departing directors, following mitigation, and the appointment costs of new Board directors.

The Company incurred exceptional closure costs of £35,000 during the year ended 31 March 2016 in respect of UK Pallets (a subsidiary of the parent company) relating to final closure costs settled by the Company.

5 Operating profit

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
The following items have been charged/(credited) in arriving at operating profit:		
Royal mail access costs	**129,603**	189,134
Subcontractor costs	**79,856**	103,539
Employee benefits expense (note 7)	**51,877**	65,371
Cost of inventories (included in costs of sales) (note 13)	**6,581**	8,821
Depreciation of investment property (note 10)	**6**	33
Depreciation of property, plant and equipment (note 11)		
- Owned assets	**4,332**	5,961
- Under finance leases	**686**	609
Amortisation of intangibles (included in administrative expenses) (note 9)		
- Owned assets	**1,938**	2,273
- Under finance leases	**122**	164
Operating lease rentals payable	**9,328**	14,460
Repairs and maintenance expenditure on property, plant and equipment	**4,318**	5,440
Loss on foreign currency translation	**34**	75
Operating lease rentals receivable		
- Plant and machinery	**(365)**	(511)
- Property	**(28)**	(266)
- Computer equipment	**(150)**	(200)
Loss on disposal of property, plant and equipment assets	**-**	65
Trade receivables impairment (included in administrative expenses)	**41**	275

5 Operating profit (continued)

Services provided by the Company's auditors

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
During the year the Company obtained the following services from the Company's auditors:		
Fees payable to the Company's auditor for the statutory audit of the Company's financial statements	**145**	102
	145	102

6 Net finance costs

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Interest receivable on:		
Bank deposits	**12**	-
Interest receivable from tax receivables	-	1
Other	-	3
Finance income	**12**	4
Interest payable on:		
Finance leases	**(153)**	(145)
Revolving credit facility	**(168)**	(306)
Other	**(2)**	(56)
Finance costs	**(323)**	(507)
Net finance costs	**(311)**	(503)

7 Employees and directors

Employee benefits expense for the Company during the year (including executive directors).

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Wages and salaries	46,130	58,106
Social security costs	4,133	5,391
Other pension costs *	1,465	1,951
Share-based payments (note 21)	149	(77)
	51,877	65,371

* Post-employment benefits all relate to defined contribution pension schemes

Average monthly number of persons employed (including executive directors)

	9 months ended 31 December 2016 Number	Year ended 31 March 2016 Number
Operations	2,581	2,506
Administration	205	206
	2,786	2,712

Key management compensation	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Salaries and short-term employee benefits	986	1,648
Post-employment benefits	80	131
Share-based payments	50	(139)
	1,116	1,640

7 Employees and directors (continued)

The key management figures above include the directors as detailed below:

Directors' emoluments	**9 months ended 31 December 2016 £'000**	Year ended 31 March 2016 £'000
Aggregate emoluments	**831**	1,331
Post-employment benefits	**67**	102
	898	1,433

The highest paid director was paid £265,000 (Year ended 31 March 2016: £641,000). In addition, Company pension contributions of £29,000 were taken as a salary supplement (Year ended 31 March 2016: £43,000).

During the nine month period ended 31 December 2016, no directors (Year ended 31 March 2016: none) exercised options over shares of 10p each of the immediate parent company, UK Mail Group plc. (now UK Mail Group Ltd).

Pension contributions were made in respect of four (31 March 2016: two) directors; paid as a supplement to the directors salaries.

8 Tax on profits

Analysis of charge in the period

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Current tax - current period	**2,018**	2,753
Current tax - adjustment in respect of prior periods	**30**	(376)
Total current tax	**2,048**	2,377
Deferred tax (note 18) - current period	**353**	54
Deferred tax (note 18) - adjustment in respect of prior periods	**179**	394
Effect of change in tax rate	**(151)**	(199)
Total deferred tax	**381**	249
Taxation	**2,429**	2,626

8 Tax on profits - continued

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 20% (year ended 31 March 2016: 20%) to the profit before tax are explained below:

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Profit before taxation	**7,605**	15,023
Profit at the standard rate of corporation tax in the UK of 20% (31 March 2016: 20%)	**1,521**	3,005
Effects of:		
Expenses not deductible for tax purposes	**905**	509
Non-taxable gain on disposal	**-**	(499)
Effect of change in tax rate	**(206)**	(294)
Other timing differences	**-**	(113)
Adjustment in respect of prior periods	**209**	18
Total taxation charge	**2,429**	2,626

Additionally, £nil of deferred tax (year ended31 March 2016: £91,000) has been charged directly to equity in respect of share options.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax balances at 31 December 2016 have been calculated based on these rates.

9 Intangible assets

	Acquired software licences £'000	Software development cost £'000	Total £'000
Cost			
At 1 April 2016	5,555	12,161	17,716
Additions	437	2,882	3,319
At 31 December 2016	5,992	15,043	21,035
Accumulated amortisation and impairment			
At 1 April 2016	3,357	5,488	8,845
Charge for the period	444	1,616	2,060
At 31 December 2016	3,801	7,104	10,905
Net book value at 31 December 2016	2,191	7,939	10,130
Net book value at 31 March 2016	2,198	6,673	8,871

10 Investment property

	31 December 2016 £'000	31 March 2016 £'000
Cost		
At the beginning of the period	**2,584**	2,584
Reclassification (note 11)	**(2,584)**	-
At the end of the period	**-**	2,584
Accumulated depreciation		
At the beginning of the period	**879**	846
Charge for the period	**6**	33
Reclassification (note 11)	**(885)**	-
At the end of the period	**-**	879
Net book value	**-**	1,705

One (31 March 2016: one) investment property was held by the Company until May 2016, located in the West Midlands, which was being sublet under an operating lease. Following cessation of the lease, the property was subsequently brought into operational use by the Company, and has therefore been reclassified within freehold property (see note 11).

The rental income recognised in the two month period to May 2016 was £27,633 (Year to 31 March 2016: £265,993). Direct operating expenses incurred were £nil (Year to 31 March 2016: £nil).

The property was last externally valued by qualified professional valuers working for the company of NRS North Rae Sanders, Commercial Real Estate Services and Chartered Surveyors, acting in the capacity of External Valuers in April 2015 at £3m. The valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS'), Industrial Agents Society, Office Agents Society and Investment Property Forum. In January 2016, NRS Rae Sanders was acquired by Avison Young UK, a global real estate firm. In the 2016 financial year, the proportion of total fees payable by the Company to the total fee income of Avison Young was less than 1%. The valuation was primarily derived using comparable recent market transactions on arm's length terms. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards.

11 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold buildings £'000	Motor vehicles plant and equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2016	**43,373**	**3,559**	**55,048**	**12,886**	**114,866**
Additions	**25**	**301**	**1,046**	**922**	**2,294**
Reclassification (note 10)	**2,584**	-	-	-	**2,584**
Disposals	-	**(159)**	**(1,217)**	-	**(1,376)**
At 31 December 2016	**45,982**	**3,701**	**54,877**	**13,808**	**118,368**
Accumulated depreciation and impairment					
At 1 April 2016	**4,449**	**2,331**	**25,859**	**8,833**	**41,472**
Charge for the period	**647**	**201**	**3,190**	**980**	**5,018**
Reclassification (note 10)	**885**	-	-	-	**885**
Disposals	-	**(159)**	**(1,156)**	-	**(1,315)**
At 31 December 2016	**5,981**	**2,373**	**27,893**	**9,813**	**46,060**
Net book value at 31 December 2016	**40,001**	**1,328**	**26,984**	**3,995**	**72,308**
Net book value at 31 March 2016	38,924	1,228	29,189	4,053	73,394

12 Assets held under finance leases

	Property, plant and equipment (Motor vehicles, plant and equipment)		Intangible Assets (Acquired software licences)	
	31 December 2016	31 March 2016	**31 December 2016**	31 March 2016
	£'000	£'000	**£'000**	£'000
Cost	**17,068**	3,360	**1,729**	1,729
Additions	**-**	13,708	**-**	-
Accumulated depreciation	**(4,655)**	(3,969)	**(1,469)**	(1,347)
Disposals		-		-
Net book value	**12,413**	13,099	**260**	382

The majority of the leases are for an initial contractual period of six to seven years, with options to renew for varying periods at fixed rates. The interest rate inherent in the lease is fixed at the contract date for the term of the lease.

13 Inventories

	31 December 2016	31 March 2016
	£'000	£'000
Fuel stock	**237**	267

The Company consumed £6,581,000 of inventories during the nine month period ended 31 December 2016 (Year ended 31 March 2016: £8,821,000).

Inventories are carried at the lower of cost and net realisable value.

14 Trade and other receivables

	31 December 2016 £'000	31 March 2016 £'000
Trade receivables	**49,985**	46,717
less: provision for impairment	**(64)**	(139)
Trade receivables, net of provisions for impairment	**49,921**	46,578
Other receivables	**6,133**	6,145
Amounts owed from group undertakings	**1,123**	490
Prepayments and accrued income	**9,370**	11,567
	66,547	64,780

The provisions for impairment of Trade receivables relate to customers balances that are impaired at the balance sheet date but not written off.

All carrying amounts above are denominated in sterling, and are due within one year. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Amounts owed from group undertakings do not bear interest save for amounts owed to from UK Mail Group Ltd where interest accrues at a 0.5% rate.

15 Cash and cash equivalents

	31 December 2016 £'000	31 March 2016 £'000
Cash at bank and in hand	**415**	3,376

Credit interest rates on bank balances range between 0.00% to 0.84% (2016: 0.00% to 0.60%), and interest charged on borrowings range between 0.4% to 2.5% (2016: 0.4% to 2.5%). As far as practical cash balances are held centrally and are used first to repay borrowings under the Company's revolving credit facility before being placed on deposit.

16 Borrowings

Current	31 December 2016 £'000	31 March 2016 £'000
Amounts due within one year or on demand:		
Revolving credit facility	**15,650**	(185)
Finance lease obligations	**433**	418
	16,083	233
Non-current		
Finance lease obligations	**4,038**	4,364

The revolving credit facility is shown net of £nil (31 March 2016: £185,000) unamortised arrangement fees.

The future minimum lease payments under finance leases fall due as follows:

Amounts payable under finance leases	31 December 2016 £'000	31 March 2016 £'000
Within one year	**620**	620
Between one and five years	**2,481**	3,100
Over five years	**2,274**	2,119
Total minimum lease payments	**5,375**	5,839
Future finance charges	**(904)**	(1,057)
Present value of finance leases	**4,471**	4,782

17 Trade and other payables - current

	31 December 2016 £'000	31 March 2016 £'000
Trade payables	**33,730**	49,742
Amounts owed to group undertakings	**7,481**	14,143
Amounts owed to franchises	**1,705**	1,351
Other payables	**8,892**	8,365
Taxes and social security	**12,175**	12,059
Accruals	**10,409**	8,078
Deferred compensation	**170**	414
Deferred income	**96**	68
	74,658	94,220

Amounts owed to group undertakings do not bear interest save for amounts owed to UK Mail Group Ltd where interest accrues at a 0.5% rate.

Total deferred compensation of £170,000 (31 March 2016: £414,000) relates to amounts received for costs still to be incurred.

Total compensation received in the year ended 31 March 2016 was £22,059,000 of which £15,497,000 was credited to the income statement, £5,388,000 was credited against capital expenditure for assets purchased that could not have been transferred to the new Ryton site including the data centre and associated assets, plus compulsory moving costs (stamp duty, planning and legal fees) and £760,000 being the final payment for the old Birmingham site.

During the year ended 31 March 2016 deferred compensation of £8,640,000 was credited to the income statement in relation to the disposal of the Birmingham site (which is reported within the exceptional item 'Profit on sale of national hub') and £1,000,000 was credited within the 'HS2 compensation' exceptional item.

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of between 18 and 19% (31 March 2016: 18 - 19%) depending on the anticipated time of reversal.

The movement on the deferred tax asset account is as shown below:

Deferred tax assets	31 December 2016 £'000	31 March 2016 £'000
At the beginning of the period	**301**	567
Statement of comprehensive income charge	**(300)**	(175)
Charged to equity	-	(91)
At the end of the period	**1**	301

The deferred tax asset at 31 December 2016 largely relates to provisions.

The deferred tax asset at 31 March 2016 largely related to share-based payments, which is calculated on the difference between the market price at the balance sheet date and the option exercise price. The excess of the deferred tax over the cumulative income statement charge is recognised in equity. There are no unrecognised deferred tax assets.

The movement on the deferred tax liability account is as shown below:

Deferred tax liabilities	31 December 2016 £'000	31 March 2016 £'000
At the beginning of the period	**(2,732)**	(2,560)
Statement of comprehensive income charge	**(82)**	(172)
At the end of the period	**(2,814)**	(2,732)

Deferred tax liabilities, which largely relate to accelerated capital allowances, are calculated on the difference between the accounting net book value of the asset and their carrying amount for tax purposes. Deferred tax assets and liabilities are expected to be recovered as follows:

18 Deferred tax (continued)

Deferred tax assets	**31 December 2016 £'000**	31 March 2016 £'000
Within 12 months	**1**	200
After 12 months	**-**	101
	1	301

Deferred tax liabilities	**31 December 2016 £'000**	31 March 2016 £'000
Within 12 months	**-**	-
After 12 months	**(2,814)**	(2,732)
	(2,814)	(2,732)

The deferred income tax charged to equity during the year is as follows:

	9 months ended 31 December 2016 £'000	Year ended 31 March 2016 £'000
Deferred tax on share-based payments	**-**	(91)

19 Provisions

	Automation £'000	Lease dilapidations £'000	Restructuring £'000	Management reorganisation £'000	Total £'000
At 31 March 2016	27	1,255	74	633	1,989
Charged to the income statement	-	145	-	63	208
Utilised in the period	-	-	(74)	(583)	(657)
At 31 December 2016	27	1,400	-	113	1,540

Provisions have been analysed between current and non-current as follows:

	31 December 2016 £'000	31 March 2016 £'000
Current	755	1,158
Non-current	785	831
	1,540	1,989

The automation provision largely relates to the revised automation strategy and related facilities costs, plus the early termination costs of exiting existing contracts as a result of the roll-out of a programme of large scale automation within the network in the 2014/15 financial year.

Lease dilapidations represent the anticipated expenditure resulting from the Company's contractual obligations to make good properties prior to reversion of the building to the landlord in respect of leases expiring within one year and up to 15 years. The timing of outflows is variable, and is dependent not only on property lease expiry dates, and opportunities to surrender leases, but repair programmes and the results of negotiation.

Restructuring relates to provisions arising following a change programme initiated in the financial year ended 31 March 2012 and relates to onerous property lease costs.

Management reorganisation provisions largely relate to the Board changes during the year ended 31 March 2016, including the exit costs in respect of the previous Group Operations Director and the appointment costs for both the new Group CEO and Group Operations Director.

20 Ordinary shares

	31 December 2016 £'000	31 March 2016 £'000
Authorised, issued, allotted and fully paid		
1,000 (31 March 2016: 1,000) ordinary shares of £1 each	1	1

21 Share-based payments

The Company recognised a £149,000 charge in respect of equity settled share-based payments during the nine months period ended 31 December 2016 (Year ended 31 March 2016: £77,000 credit).

Whilst there were no cancellations or modifications to any of the plans during the year, the agreed takeover of the parent company, UK Mail Group plc. ('UK Mail Group') triggered early vesting under the rules of the SAYE, Share Matching and Long Term Incentive Plans as detailed below:

Sharesave Plan ('SAYE')

UK Mail Group has offered a SAYE share plan since 1996 to eligible employees, including directors. The plan is an HMRC approved all-employee share plan. HMRC does not permit performance conditions to be attached to the exercise of options. Under the plan, participants are granted options over UK Mail Group shares. Each participant may save between £5 and £500 per month to purchase shares in UK Mail Group at a discount of up to a maximum 20% of the market value at the time of the option grant.

Following the acquisition of UK Mail Group, option holders are entitled to exercise their (pro rata accrued) options within six months of the date of the court sanction, but to the extent that they are not exercised, they shall lapse at the end of the period. As detailed in the offer document, and in order to encourage employees to exercise their options conditionally upon court sanction, Deutsche Post made an offer to compensate employees for the gain they would have made had they continued to save throughout this six month window, meeting the applicable tax and national insurance liabilities on the employees behalf.

Whilst this offer was accepted by the majority of employees, a number of employees either elected to continue saving, or withdrew their accrued savings in full.

Long Term Incentive Plan ('LTIP')

UK Mail Group introduced an LTIP in 2004, as a more effective means of incentivising the Company's senior management than the executive share option scheme. Under the LTIP options over shares in the parent company could be granted to employees of the Company, with a contractual life of an option being three to ten years.

The performance conditions attaching to any future awards under the plan were amended at the Annual General Meeting of UK Mail Group held on 15 July 2009, such that 50% of an Award is subject to a performance condition based on the annual earnings per share (EPS) growth of the ultimate parent company, UK Mail Group, and 50% is determined by the TSR performance of the ultimate parent company relative to all the other companies in the FTSE All Share Index (excluding Investment Trusts) at the start of the financial year in which an award is granted over a period of three financial years.

Additionally, in order to further align the interests of participants with those of shareholders of the ultimate parent company, the rules of the plan were amended such that dividends accrue on the shares comprised within the award. To the extent that awards vest under the performance criteria, the proportionate value of the accrued dividends thereon will be satisfied as additional shares at the time of vesting.

Under the rules of the LTIP, the takeover by Deutsche Post DHL triggered early vesting. However, as detailed in the offer document, the LTIP performance conditions were not expected to be met and all outstanding awards at the date of takeover lapsed.

21 Share-based payments (continued)

Share Matching Plan ('SMP')

In previous years, selected executives had been invited to invest a portion of their cash bonus in the acquisition of shares in the ultimate parent company, UK Mail Group, worth up to 25% of their pre-tax salary. However, the Remuneration Committee of UK Mail Group no longer considers this as an appropriate means of incentivising senior management, with the last grant made on 10 June 2014. (Further details can be found in the Remuneration Report of that Company).

Where such an investment was made, the executives will receive a grant of a matching award over shares in UK Mail Group with an equivalent value, which may be exercised between 36 and 42 months following the date of grant, subject to the achievement of certain EPS performance criteria.

The proportion of the award which may be exercised depends upon the growth in the ultimate parent company's earnings per share and is subject to a minimum growth of 4% p.a. above the index of retail prices ('RPI') over the three year performance period. One third of the award may be exercised if growth is in excess of RPI growth by 12% over the period, two thirds if growth is in excess by 15%, and in full if growth exceeds RPI growth by 18% over the period. The awards lapse if the minimum condition is not achieved at the end of the three year performance period.

Under the rules of the SMP, the takeover by Deutsche Post DHL triggered early vesting. However, as detailed in the offer document, the SMP performance conditions were not expected to be met and all outstanding awards at the date of takeover lapsed.

21 Share-based payments (continued)

Calculation of fair values

For equity-settled share-based transactions, fair values of share options awarded in the financial year are measured at the date of grant of the option using a share pricing option model. Where the model is dependent on the ultimate parent company's TSR over a period, the Monte Carlo model is used; in all other circumstances the Black-Scholes model is used. Non-market conditions, such as the ultimate parent company meeting earnings per share targets, are not incorporated into the calculation of fair value at the grant date but are reflected in the amount of compensation expense accrued over the vesting period.

The expected life of options depends on the behaviour of option holders, which is incorporated into the option model consistent with historic observable data. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the option-pricing model used.

No options were granted in the nine month period ended 31 December 2016.

21 Share-based payments (continued)

Reconciliation of option movements

A reconciliation of option movements over the nine month period to 31 December 2016 (Year ended 31 March 2016) is shown below:

	31 December 2016 Number	**31 December 2016 Weighted average exercise price**	31 March 2016 Number	31 March 2016 Weighted average exercise price
Outstanding as at the beginning of the period	**708,932**	**£1.62**	1,286,620	£1.00
Granted	**-**	**-**	233,819	£3.61
Lapsed	**(621,407)**	**£1.30**	(419,694)	£1.31
Exercised	**(76,251)**	**£3.84**	(391,813)	£1.11
Outstanding as at the end of the period	**11,274**	**£4.24**	708,932	£1.62
Exercisable at the end of the period	**11,274**	**£4.24**	-	-

Options are exercisable as follows:

	31 December 2016				**31 March 2016**			
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life expected years**	**Weighted average remaining life contracted years**	Weighted average exercise price	Number of shares	Weighted average remaining life expected years	Weighted average remaining life contracted years
£0.00 - £0.99	**-**	**-**	**-**	**-**	£0.00	430,345	0.6	7.4
£1.00 - £1.99	**-**	**-**	**-**	**-**	£1.87	15,568	1.7	1.9
£2.00 - £2.99	**-**	**-**	**-**	**-**	-	-	-	-
£4.00 - £4.99	**£4.36**	**11,274**	**0.2**	**0.2**	£4.27	263,019	2.0	2.3
	£4.36	**11,274**	**0.2**	**0.2**	£1.63	708,932	1.1	5.4

22 Operating lease commitments – minimum lease payments

	31 December 2016		31 March 2016	
Commitments under non-cancellable operating leases expiring:	**Land and buildings £'000**	**Vehicles, plant and equipment £'000**	Land and buildings £'000	Vehicles, plant and equipment £'000
Within one year	**6,855**	**6,132**	6,131	5,698
Between one and two years	**5,707**	**3,978**	4,868	4,413
Between two and five years	**10,445**	**2,741**	8,279	3,110
After five years	**4,446**	**-**	3,984	-
	27,453	**12,851**	23,262	13,221

The Company leases various properties under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Company also leases vehicles and office equipment under non-cancellable operating lease agreements. Leases are negotiated for an average term of four years during which time the rentals are fixed.

The Company sublets one of its properties (see note 10) under a non-cancellable operating lease agreement, which expired on 6 May 2016. At 31 December 2016, the future minimum lease payments receivable were as follows:

Commitments receivable under non-cancellable operating leases expiring:	**31 December 2016 £'000**	31 March 2016 £'000
Within one year	-	24
Between one and two years	-	-
Between two and five years	-	-
	-	24

23 Contingent liabilities

The Company has guaranteed bank and other borrowings of subsidiary undertakings in a cross-guarantee agreement on an undrawn UK Mail borrowing facility amounting to £10m (31 March 2016: £10m).

The Company has a bank guarantee agreement with Lloyds Bank plc, under which the bank provides a facility which allows the Company to request that the bank issue guarantees to third party suppliers for general business purposes. The maximum total facility value is £11m (31 March 2016: £11m). At 31 December 2016, upon the request of the Company, the bank has issued a guarantee with a value of £8m (31 March 2016: £8m) to a third party supplier of the Company.

The Company has a documentary credit facility with Lloyds Bank plc. of £1.7m (31 March 2016: £1.7m), in respect of letters of credit opened with the bank.

The Company is subject from time to time to litigation and/or claims from external parties. The Company establishes provisions in connection with litigation where it has a present legal or constructive obligation as a result of past events, and where it is more likely than not that an outflow of resources will be required to settle such obligations and the amount can be reliably estimated. Since these provisions, which are reflected in the Company's financial statements represent estimates, the final resolution of any such matters could have a material effect on the Company's operating results and cash flows for a particular reporting period.

24 Capital and other financial commitments

	31 December 2016 £'000	31 March 2016 £'000
Contracts placed for future capital expenditure not provided in the financial statements		
Property, plant and equipment	-	452
	-	452

25 Ultimate parent undertaking and controlling party

UK Mail Group Ltd is the company's immediate parent undertaking and Deutsche Post AG, which is incorporated in Germany, is the ultimate parent undertaking and the ultimate controlling party. The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is Deutsche Post AG, which is incorporated in Germany.

Copies of the group financial statements of Deutsche Post AG can be obtained from Deutsche Post DHL Group, Zentrale – Investor Relations, 53250 Bonn, Germany.

26 Critical accounting judgements and key sources of estimation uncertainty

The Company's accounting policies are set out in note 1 to these financial statements. Management is required to exercise significant judgement in the application of these policies. Areas which management believes require the most critical accounting judgements are as follows (apart from those policies involving estimation which are outlined in (b) below).

a) Critical accounting judgements in applying the Company's accounting policies

Exceptional items

The directors consider that items of income or expense which are material by virtue of their nature and amount should be disclosed separately if the financial statements are to fairly present the financial performance of the Company. The directors label these items collectively as 'exceptional items'.

Determining which transactions is to be considered exceptional is often a subjective matter. However, circumstances that the directors believe would give rise to exceptional items, requiring separate disclosure would include;

i) loss or cessation of a material contract representing 5% or more of the Company's revenues;

(ii) disposal of non-current assets where the profit or loss represents 5% or more of the Company's profit before tax; and

(iii) organisational or restructuring programmes.

26 Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions about the future, which 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 discussed below.

Recoverability of trade receivables

Trade receivables are stated in the balance sheet at their nominal value less any appropriate provision for irrecoverable amounts. In determining whether provision is required against any trade receivable, judgment is required in estimating the likely levels of recovery. In exercising this judgment, consideration is given to both the overall economic environment in which a debtor operates, as well as specific indicators that the recovery of the nominal balance may be in doubt, for example days' sales outstanding in excess of agreed credit terms or other qualitative information such as historical trend. The Directors also consider debtor specific circumstances.

Taxation

The Company has, from time to time, deferred tax assets and/or deferred tax liabilities.

Judgement is required in the assessment of the future recoverability of deferred tax assets, as to both quantum and timing, and the probability, timing and size of any deferred tax liabilities that may become payable.

Provisions

The Company has provided for the estimated cost of making good properties on cessation of the lease. This requires the Directors to make an assessment of the potential cost of the work as at the reporting date. However, these costs will not be immediately incurred and on an on-going basis, the Company maintains its properties through a programme of repair and renewal which may result in changes required in the carrying value of these provisions.

The Company has previously provided for the estimated costs of re-organisation, which involved making significant estimates for employee termination costs, onerous lease and other exit costs, and to realisable values of assets made redundant or obsolete. Should the actual amounts differ from these estimates future results could be materially impacted.

27 Dividends

	9 months ended 31 December 2016		Year ended 31 March 2016	
	Dividend per share £'000	**£'000**	Dividend per share £'000	£'000
Interim dividend paid in respect of the current year	5	5,000	-	-
	5	5,000	-	-

The directors do not recommend the payment of a final dividend (31 March 2016: £nil).

28 Post-balance sheet events

As at the date of this report, there were no significant post-balance sheet events that require disclosure or adjustment in the financial statements.