UKGI00041838

Royal Mail Group

Group Finance Director's Report
Period 9 (December 2007)

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Royal Mail Group - Key Performance Measures - December 2007

Transformation

	Unit	YTD Actual	YTD Planned	FY Planned
Total VR and Agents Compensation - Cash Impact	£m	96	220	339
Net reduction in headcount (UK & wholly owned subsidiaries)		3,520.0	-1,222.0	4,936.0
POL - Crown Office Conversion	No. office	31	31	50
- Network Restructuring	No. office	0	0	700
- Broadband % implementation	% of plan	100%	100%	100%
Letters - transformational spend	£m	104	241	310
- Walksorted Letters	%	66%	72%	75%
- Walk Revisions	No.	362	533	614
Property - Disposal proceeds received	£m	22	15	43

Share Value

		At launch	2011/12
Share Value per employee	£ employee	408	3,420

(At launch = value of initial 8% stake. 2011/12 = estimated value of 20% stake.)

		YTD Actual	YTD Planned	FY Planned
Funding Headroom RMG ex POL	£m	1,200	1,200	900.0
ROTA (rolling 12 months basis)	%	13.3	7.1	0.6

Productivity

Letters -Total letters Cost (excl transformational spend and Exceptionals) per Item (excl Door to Door)	p/item	32.0	32.8	32.9
- Items per gross hr	items/hour	90	92	92.1
- Revenue per item	p/item	32.8	32.8	32.7
POL - Crown - staff costs to income ratio	%	113%	113%	111%
- Agents - pay to income ratio	%	86%	85%	82%
Parcelforce -Depot unit cost (per Delivered Parcel)	£/parcel	2.96	2.98	3.02

People

	Unit	YTD Actual	YTD Planned	FY Planned
Reported accidents per 1,000 employees	No/1,000	91.9	82.6	110.1
Attendance (based on 100 - unplanned absence)	%	94.7%	95.5%	95.5%
FTEs (UK & wholly owned subsidiaries)	No.	209,535	205,240	186,525
Engagement Index	%	53.8%	60.0%	60.0%
People Costs/Income	£	0.65	0.66	0.67
Customer Focus Index	%	52.6%	60.0%	60.0%
Reputation Index (employer brand perception - HYS element only)	%	56.6%	64.0%	64.0%
Total Avoidable cost	£m	195.8	169	226

Customer

		Actual Q2	PY Q2	FY PY Outturn
Reputation Index (External)	out of 10	7.3	-	7.3

Quarterly result based on following question asked of POL & Letters small and large customers and consumers of all 3 brands:
How do you rate Royal Mail's reputation? (Measured from Nov 2006)

Letters - Quality of Service				
- 1st Class Retail	%	83.0%	93.0%	93.0%
- 2nd Class Bulk	%	92.7%	97.5%	97.5%
- 3rd Class Bulk	%	95.8%	97.5%	97.5%
- Business Customer Satisfaction	%	73.0%	76.0%	76.0%

Business Customer Satisfaction currently being remodelled, actual remains as per period 6.

POL - Quality of Service	%	96.0%	95.0%	95.0%
Parcelforce - PF24 Quality of Service	%	96.4%	96.2%	96.2%

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Royal Mail Group Overview - December 2007

MONTH

The Group's period 9 operating profit pre exceptionals of £89m was £1m (1%) better than the budgeted profit of £88m mainly driven by higher income of £10m, lower depreciation and amortisation costs of £1m offset by higher people costs of £8m and higher non people costs of £2m.
The favourable budget variance of £1m was mainly contributed to by POL £2m (44%), Central Functions £2m (23%) and Parcelforce £1m (20%) offset by Letters £3m (4%) and GLS £1m (9%).

Operating margin in the month before exceptional items was 9.7% - in line with budget.

External income £923m - (up £10m (1%) against budget of £913m), principally out-performance in Letters £5m (1%), Parcelforce £5m (14%) and GLS £5m (5%) (exchange rate driven), offset by POL £4m (6%) and Central Functions £1m (16%).
Against budget, Letters income was above budget (+£5m, +0.7%), and above prior year by (+£30.6m, +4.5%).
Products that performed better than budget include Meters (+£2.5m, +3.1%), PPI (+£6.5m, +15.4%), Mailsort 1 (+£1.2m, +14.8%), Mailsort 3 & Mailmedia (+£13.4m, +43.2%), Presstream (+£2.1m, +16.8%), Wholesale (+£6.5m, +16.0%), Door to Door (+£3.0m, 141.7%), Philatelic (+£0.5m, +15.8%). Products that performed below budget include Stamps (-£10.5m, -4.8%), Cleanmail (-£1.6m, -10.5%), Mailsort 2 (-£2.2m, -9.1%), Ancillary (-£2.9m, -31.5%), Special Delivery (-£2.0m, -5.4%), Parcels (-£2.4m, -24.3%), International (-£6.9m, -6.5%), Supply Chain (-£0.8m, 44.7%), Data, Media & Print (-£0.7m, -45.6%).
POL's income in the month (including £11m Social Network Payment) was £4m (6%) worse than budget mainly due to under-performance in Telephony- Homephone.

People costs of £556m are above budget this month with an adverse variance of £8m (1.5%) and £17m (3%) adverse to prior year. This month's adverse variance lies principally within Letters and Parcelforce.

Non-people costs (including exchange rate movements) are £262m in the month and adverse to budget by £2m (<1%). Costs are adverse to last year with variance of £25m (10%).

The budget variance principally comprises:

- Letters – favourable to budget by £3m (3%) mainly due to lower expenditure on conveyance, collection & delivery costs of £10m (24%), compensation costs £1m (15%) and computers and telephones £1m (78%) offset by higher staff & agent related costs and consumables of £3m (45%), finance costs of £2m (60%), consultancy, marketing and legal costs of £2m (24%) and other operating costs of £1m (34%).
- POL – favourable to budget by £5m (13%). Savings have been made in other bought in services £3m (26%), other operating costs £3m (66%) and computers and telephones £2m (17%). These have been offset by higher expenditure on Finance £2m (>100%) and consultancy, marketing and legal fees £1m (41%).
- Parcelforce – costs are adverse to budget this month by £3m (36%) mainly due to higher conveyance, collection and delivery charges £2m(32%). There is a £1m budgeted savings challenge but no savings have been made this month.
- GLS – adverse to budget by £5m (7%) mainly as a result of adverse exchange rate differences £5m (>100%).

Other costs (depreciation, amortisation and other income) are favourable to budget by £1m (8%) and adverse to last year by £2m (15%).

Non-operating exceptional items are favourable by £1m (>100%) as a result of a higher than expected profits on disposal of Land and Buildings. This month's profit mainly relates to the sale of Cirencester crown office.
Operating exceptional items of £25m in the month were adverse to budget by £16m (>100%) and adverse to PY by £15m (>100%). The adverse variance arises in POL where exceptional redundancy costs of £18m have been recorded, in part to reflect CWU Buy downs including Saturday premiums.

Interest in the month was favourable to budget by £3m (34%) but adverse to PY by £4m (24%).

Profit before tax
Profit before tax and Colleague Share costs for the month was £78m – adverse by £11m (13%) against a budgeted profit of £90m. This was mainly as a result of adverse net exceptional costs of £15m offset in part by favourable business unit operating performance of £1m (explained above) and favourable interest of £3m.
The result is £8m (9%) adverse against the PY profit of £86m. The prior year variance is due to £57m higher income being more than offset by £65m higher net expenditure. Net Expenditure is higher mainly due to:

- £17m higher people costs;
- £25m higher non people costs;
- £4m lower net interest receivable;
- £17 higher net exceptional costs;
- £2m higher depreciation and amortisation costs.

Operating Cashflow in the month was an outflow of £187m of which £225m outflow relates to POL Net Client Balances.

YEAR TO DATE

Year to date Operating profit pre exceptionals of £255m was £177m favourable to the budgeted profit of £78m driven by lower than expected non people costs of £128m, lower than expected people costs of £159m, lower than expected depreciation/ amortisation of £14m, and better than expected share of profits in JV's and Associates of £3m offset by lower than expected income of £127m.

The Operating exceptional items charge of £414m is £2m adverse to budget of £412m principally in POL – £3m adverse to budget of £321m due to higher expenditure on redundancies and other operating exceptionals of £18m offset in part by lower fixed asset expenditure driving lower impairments of £15m.

YTD operating cashflow is an inflow of £140m, favourable to budget by £335m. Operating cashflow includes upfront cash of £150m for the Social Network for the year. The £313m of Transformational funding was received from the Government on 31 July 2007.

Estimated Pension Deficit has increased by £0.2bn since last month to £3.7bn due to a 0.1% reduction in the real discount rate partly offset by a small improvement in asset values.

Note: The Half Year position on ColleagueShare costs remains unchanged at period 9 i.e. costs have not been booked and results in a YTD favourable variance of £86m.
Note: Prior year has been restated for the impact of Royal Mail Estates Limited (RMEsL). This change aligns the prior year to the treatment for 07/08 actuals and budget.

NON-FINANCIAL MEASURES

Operations Analysis - Financial performance continues to underspend due to the settlement of the pay deal below the budgeted level. This will continue throughout the year. There have been high variable costs over the Christmas period, and this is expected to continue as service restoration continues following the industrial action.

Licence Quality of Service products - previous industrial action has led to 10 out of the 12 Licence measures failing the full year standard at period 9. It will be important to demonstrate to Postcomm in quarter 4 that the performance has returned to pre-industrial action target levels.The two USO measures were not mathematically achievable after period 4. Non Licence Quality of Service reported 4 out of 5 of the targets being met during the year.

Headcount has increased by 614 in the month bringing the period total to 181,248 and the YTD movement to a decrease of 3,520. **FTE's** of 209,535 is adverse to budget by 4,295.
People - the engagement index is 54% in the month which is the same as last month. This brings the YTD index to 54% which is 6% below target

*Letters includes Wholesale

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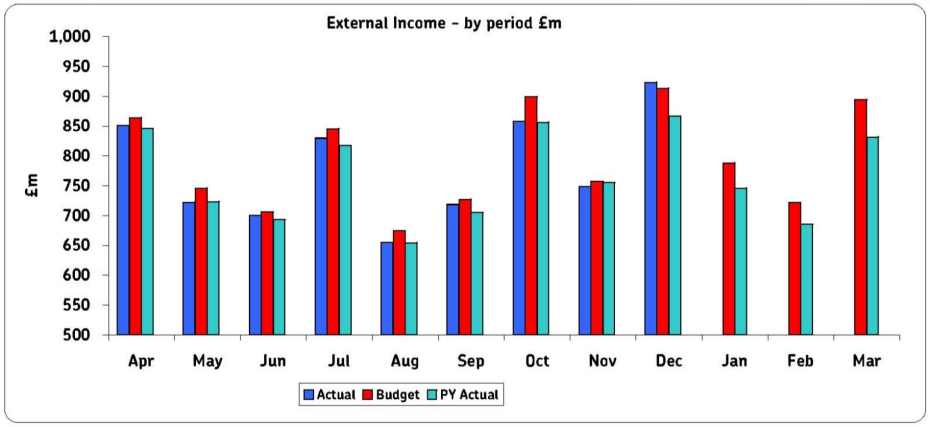
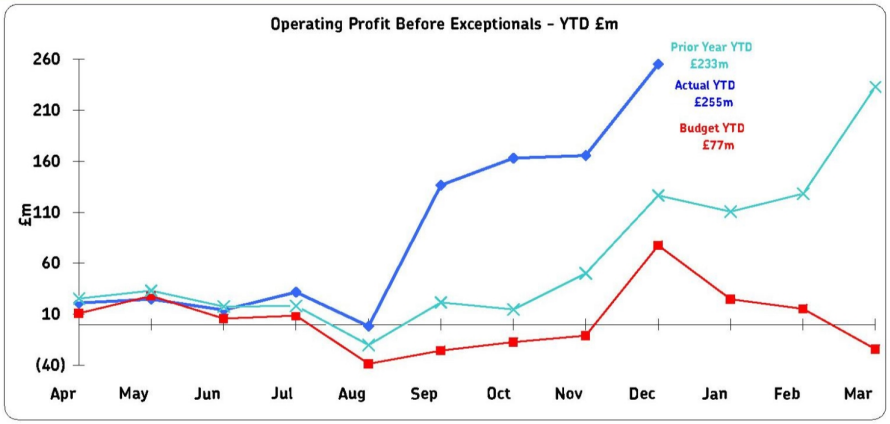
Royal Mail Group - YTD Profit Results - December 2007

Summary Group profit and loss account
9 Months to December

	9 Months to December						
	2008	Budget	Budget Variance		2007	PY Variance	
	£m	£m	£m	%	£m	£m	%
External Income	**7,005**	**7,132**	**(127)**	**(2%)**	**6,916**	**88**	**1%**
Expenditure	(6,787)	(7,088)	302	4%	(6,817)	30	0%
Profit on JVs and Associates	36	33	3	9%	27	9	35%
Operating Profit Before Exceptionals	**255**	**77**	**177**	**>100%**	**126**	**128**	**>100%**
Exceptional Items	(400)	(402)	3	1%	(99)	(301)	(>100%)
Profit before interest and taxation and ColleagueShare costs	**(145)**	**(325)**	**180**	**55%**	**27**	**(172)**	**(>100%)**
Net interest receivable/(payable)	18	4	15	>100%	(1)	19	>100%
Notional Pensions Interest	96	92	4	5%	149	(53)	(35%)
Profit before taxation and ColleagueShare costs	**(31)**	**(229)**	**199**	**87%**	**175**	**(206)**	**(>100%)**
ColleagueShare costs	0	(86)	86	>100%	(0)	0	>100%
Profit before taxation	**(31)**	**(315)**	**285**	**90%**	**175**	**(206)**	**(>100%)**





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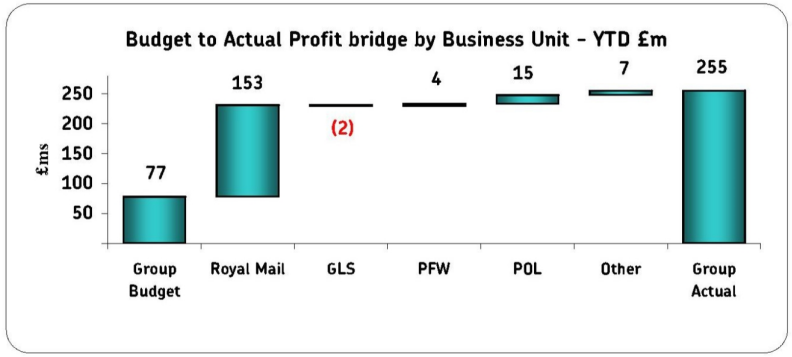
Royal Mail Segmentals - Profit Results - December 2007

Operating Profit/(Loss) Before Exceptionals

Month

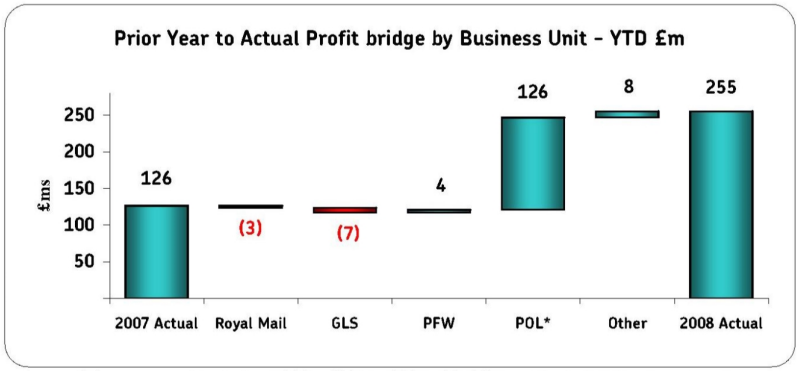
	2008	Budget	Budget Var.		2007	PY Var.	
	£m	£m	£m	%	£m	£m	%
Royal Mail *	72	75	(3)	(4%)	62	9	15%
GLS	6	6	(1)	(9%)	5	0	1%
Parcelforce	5	4	1	20%	5	1	17%
Post Office Limited	(2)	(4)	2	44%	(5)	3	53%
Other	9	7	2	23%	9	0	5%
Group	**89**	**88**	**1**	**1%**	**76**	**13**	17%



YTD

	2008	Budget	Budget Var.		2007	PY Var.	
	£m	£m	£m	%	£m	£m	
Royal Mail *	119	(34)	153	>100%	122	(3)	(2%)
GLS	77	79	(2)	(2%)	84	(7)	(8%)
Parcelforce	10	5	4	74%	6	4	72%
Post Office Limited	(21)	(35)	15	42%	(146)	126	86%
Other	70	63	7	11%	61	8	14%
Group	**255**	**77**	**177**	>100%	**126**	**128**	>100%

* Royal Mail includes Wholesale



* Improvement includes £110m SNP in 2007-08. SNP received of £75m for second half of 2006/07 was all booked in period 12.

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Royal Mail Group - Profit/(Loss) Statement - December 2007

	Period 9 £m				Year to Date £m				Full Year £m			
	Actual	Budget	Var.	Prior Yr	Actual	Budget	Var.	Prior Yr	Forecast	Budget	Var.	Prior Yr
External Income	918	913	5	867	6,996	7,132	(136)	6,916	9,366	9,537	(170)	9,179
Exchange Rate Difference on Income	5	0	5	(1)	9	0	9	1	3	0	3	(0)
Total External Income	**923**	**913**	**10**	**866**	**7,005**	**7,132**	**(127)**	**6,916**	**9,370**	**9,537**	**(167)**	**9,179**
Wages and Salaries	(312)	(317)	5	(306)	(2,882)	(3,063)	181	(2,946)	(3,969)	(4,140)	171	(3,909)
Overtime	(61)	(53)	(8)	(59)	(353)	(313)	(40)	(342)	(454)	(410)	(43)	(438)
Productivity / Bonus	(25)	(24)	(1)	(23)	(107)	(105)	(2)	(109)	(134)	(137)	3	(143)
Employers NI & Social Security	(30)	(28)	(2)	(28)	(235)	(247)	12	(242)	(314)	(333)	19	(320)
Pension (Charge)/Receipt	(56)	(58)	2	(57)	(512)	(558)	46	(530)	(698)	(754)	56	(722)
Temporary Resource	(22)	(19)	(3)	(20)	(79)	(47)	(32)	(58)	(99)	(58)	(41)	(76)
Total Staff Costs	**(506)**	**(499)**	**(8)**	**(492)**	**(4,167)**	**(4,333)**	**165**	**(4,228)**	**(5,668)**	**(5,832)**	**164**	**(5,610)**
Agents Costs	(50)	(50)	(0)	(47)	(407)	(401)	(6)	(407)	(541)	(534)	(7)	(534)
Total People Costs	**(556)**	**(548)**	**(8)**	**(539)**	**(4,574)**	**(4,734)**	**159**	**(4,635)**	**(6,209)**	**(6,366)**	**157**	**(6,144)**
Conveyance, D&C Charges	(93)	(100)	8	(95)	(789)	(816)	27	(723)	(1,079)	(1,092)	13	(975)
Compensation	(5)	(6)	1	(4)	(39)	(42)	3	(40)	(55)	(141)	87	(50)
Property Facilities	(28)	(31)	3	(26)	(243)	(256)	13	(236)	(323)	(340)	17	(319)
Property Maintenance	(4)	(5)	2	(4)	(54)	(61)	7	(57)	(65)	(77)	12	(63)
Vehicles	(26)	(26)	0	(26)	(189)	(201)	12	(200)	(256)	(273)	17	(265)
Computers & Telephones	(23)	(24)	1	(24)	(211)	(227)	16	(201)	(287)	(300)	13	(255)
Consultancy, Marketing & Legal Fees	(21)	(17)	(4)	(16)	(158)	(158)	0	(153)	(216)	(205)	(11)	(187)
Staff & Agents Related Costs & Consumables	(17)	(14)	(3)	(13)	(97)	(110)	13	(121)	(135)	(153)	18	(145)
Finance	(6)	(5)	(1)	(9)	(44)	(49)	5	(69)	(78)	(66)	(12)	(61)
Other Bought in Services	(12)	(14)	2	(12)	(103)	(114)	11	(130)	(148)	(158)	10	(183)
Other Operating Costs	(22)	(16)	(6)	(9)	(115)	(148)	33	(106)	(194)	(192)	(2)	(138)
Exchange Rate Difference on Expenditure	(5)	1	(5)	1	(8)	2	(10)	(1)	(3)	(6)	3	0
Total Non-People Costs	**(262)**	**(259)**	**(2)**	**(237)**	**(2,050)**	**(2,178)**	**128**	**(2,036)**	**(2,838)**	**(3,002)**	**164**	**(2,644)**
External Expenditure	**(818)**	**(808)**	**(10)**	**(776)**	**(6,624)**	**(6,912)**	**288**	**(6,671)**	**(9,047)**	**(9,369)**	**321**	**(8,788)**
Depreciation	(16)	(17)	1	(15)	(145)	(155)	10	(138)	(196)	(206)	11	(186)
Amortisation	(2)	(2)	(0)	(1)	(17)	(21)	3	(8)	(22)	(28)	6	(11)
Total Depreciation & Amortisation	**(18)**	**(20)**	**1**	**(16)**	**(162)**	**(176)**	**14**	**(146)**	**(217)**	**(235)**	**17**	**(197)**
Share of Profit - JV/Associates	**2**	2	(0)	2	**36**	33	3	27	45	42	2	38
Operating Profit before Exceptionals	**89**	**88**	**1**	**76**	**255**	**77**	**177**	**126**	**150**	**(24)**	**174**	**233**
Operating Exceptionals	(25)	(9)	(16)	(10)	(414)	(412)	(2)	(133)	(220)	(506)	286	(243)
Profit/(Loss) on Disposal of Fixed Assets	2	1	1	4	14	10	4	34	59	32	26	118
Profit Before Interest & Tax (PBIT)	**66**	**80**	**(14)**	**70**	**(145)**	**(325)**	**180**	**27**	**(11)**	**(497)**	**486**	**108**
Net External Interest	2	(0)	3	1	18	4	15	(1)	19	2	17	6
Pensions notional interest	10	9	0	15	96	92	4	149	129	125	4	199
Total Net Interest	**12**	**9**	**3**	**16**	**115**	**96**	**19**	**148**	**148**	**127**	**21**	**205**
Profit Before Tax (PBT) and ColleagueShare costs	**78**	**90**	**(11)**	**86**	**(31)**	**(229)**	**199**	**175**	**137**	**(370)**	**507**	**313**
ColleagueShare costs	(0)	0	(0)	(0)	0	(86)	86	(0)	(255)	(172)	(83)	(0)
Profit Before Tax (PBT)	**78**	**90**	**(11)**	**86**	**(31)**	**(315)**	**285**	**175**	**(118)**	**(542)**	**424**	**313**
Margin from Operations	10%	10%	0%	9%	4%	1%	3%	2%	2%	0%	2%	3%
RM Group incl. POL												
PBITDA Before Exceptionals	*108*	*108*	*(0)*	*92*	*417*	*254*	*163*	*272*	*367*	*210*	*157*	*430*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*105*	*106*	*(0)*	*90*	*381*	*220*	*160*	*245*	*323*	*168*	*155*	*392*
RM Group excl. POL												
PBITDA Before Exceptionals	*110*	*112*	*(2)*	*97*	*437*	*288*	*149*	*418*	*396*	*254*	*142*	*537*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*109*	*111*	*(2)*	*96*	*428*	*281*	*148*	*410*	*386*	*244*	*141*	*526*

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Royal Mail Group - External Revenue and Volumes - December 2007

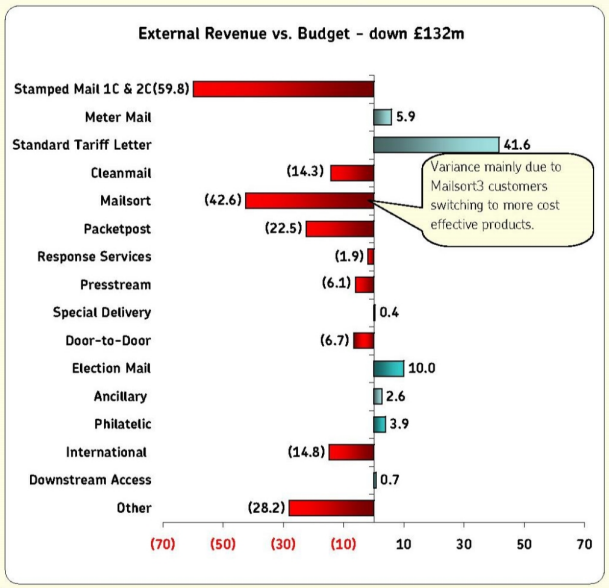
External Revenue	Period 9					Year to Date				
	Actual £m	Budget £m	Var £m	Prior Yr £m	Var %	Actual £m	Budget £m	Var. £m	Prior Yr £m	Var %
Royal Mail (inc. Wholesale)	711	706	5	680	*4.5*	5,128	5,259	(132)	5,241	*(2.2)*
GLS	96	92	5	85	*13.3*	891	884	8	787	*13.3*
Parcelforce Worldwide	43	38	5	39	*9.9*	285	267	18	256	*11.2*
POL*	70	74	(4)	59	*18.5*	674	682	(8)	605	*11.3*
Other	4	4	(1)	3	*11.1*	27	41	(14)	27	*(2.1)*
Total RMG	**923**	**913**	**10**	**866**	***6.6***	**7,005**	**7,132**	**(127)**	**6,916**	***1.3***

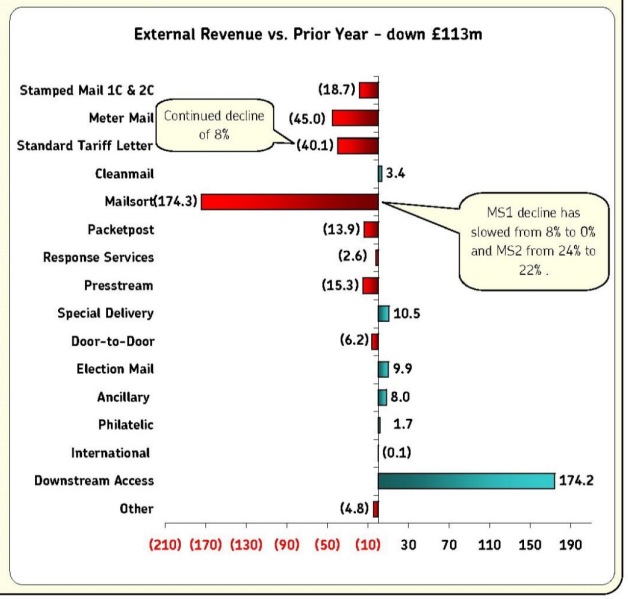
* POL revenue includes SNP of £11m in the month and £110m YTD in 2007-08

Operational Volumes	Period 9					Year to Date				
	Actual (m)	Budget (m)	Var (m)	Prior Yr (m)	Var %	Actual (m)	Budget (m)	Var. (m)	Prior Yr (m)	Var %
Royal Mail (inc. Wholesale)	2,196	2,125	71	2,141	*5.0 **	18,242	18,724	(482)	18,787	*(3.1) **
GLS	25	25	0	25	*(1.6)*	242	241	1	229	*5.7*
Parcelforce Worldwide	6	5	1	6	*7.5*	42	40	2	37	*12.8*
Total RMG	**2,227**	**2,155**	**72**	**2,172**	***4.9 ****	**18,525**	**19,004**	**(479)**	**19,053**	***(2.9) ****

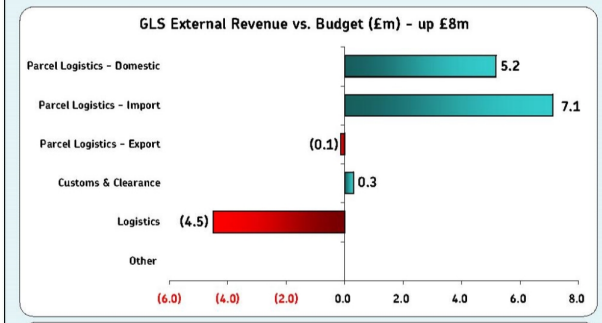
* Royal Mail based on underlying Revenue Derived Volumes

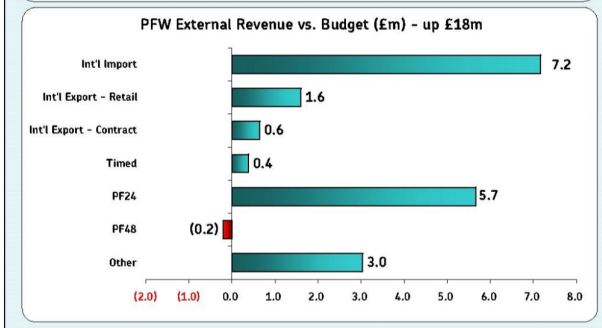
YTD Royal Mail Letters (inc. Wholesale) Revenue Analysis by Product

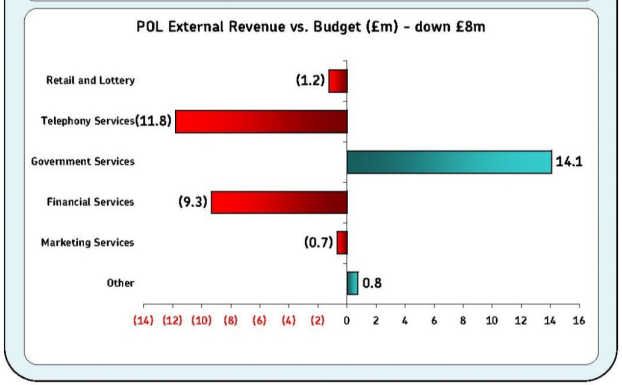




YTD Business Unit Revenue Analysis by Product







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Royal Mail Group - Royal Mail Wholesale - December 2007

	Current Month						Year To Date					
	Actual	Forecast	Vs Forecast	Budget	Vs Budget	% Vs Budget	Actual	Forecast	Vs Forecast	Budget	Vs Budget	% Vs Budget
Revenue (£ 000's)	47,544	47,260	284	41,000	6,544	16.0%	403,722	403,438	284	403,000	722	0.2%
Volume (000's)	335,696	340,000	(4,304)	296,029	39,667	13.4%	2,902,426	2,906,730	(4,304)	2,909,747	(7,322)	(0.3%)
Average Unit Revenue (£)	0.142	0.139	0.003	0.139	0.003	2.3%	0.139	0.139	0.000	0.139	0.001	0.4%

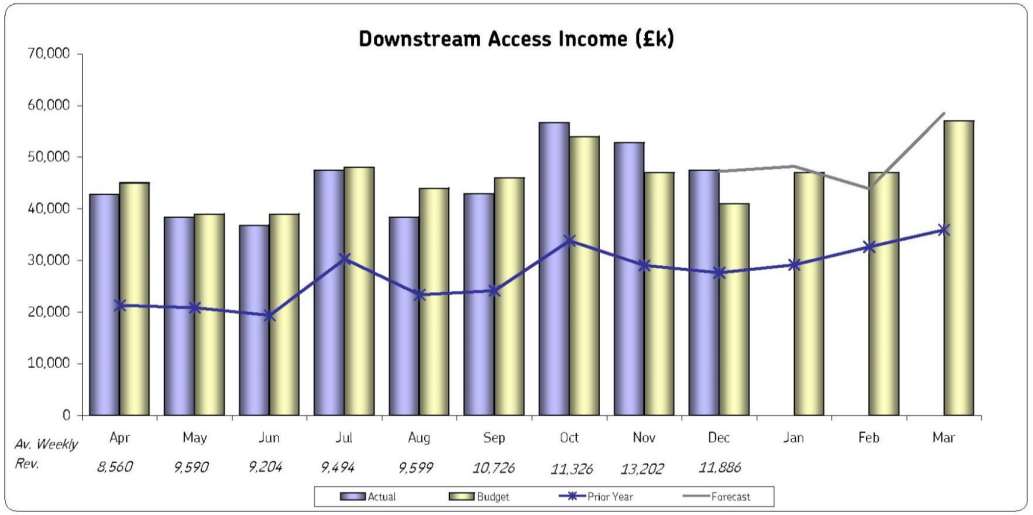
Weekly revenue of £11.9m in december was £1.3m lower than November. Year to date revenue was some £7.3m below budget.

	Rest of Year						Expected Full Year Position					
	Actual	Forecast	Vs Forecast	Budget	Vs Budget	% Vs Budget			Forecast	Budget	Vs Budget	% Vs Budget
Revenue (£ 000's)	150,278	150,563	(284)	151,000	(722)	(0.5%)			554,000	554,000	0	0.0%
Volume (000's)	1,097,574	1,093,270	4,304	1,090,253	7,322	0.7%			4,000,000	4,000,000	0	0.0%
Average Unit Revenue (£)	0.137	0.138	(0.001)	0.139	(0.002)	(1.1%)			0.139	0.139	0.000	0.0%

Analysed By:		
£ 000's	Month	YTD
Operator Access	28,237	224,718
Agency Access	1,335	3,627
Customer Direct Access	17,972	175,377
Total	47,544	403,722
Items 000's	Month	YTD
Operator Access	193,225	1,582,912
Agency Access	9,838	26,318
Customer Direct Access	132,634	1,293,196
Total	335,696	2,902,426

NB. Figures provided to Postcomm don't split Agency from Operator volumes.

Indicative Contribution Impact £ 000's		
	Month	YTD
Retail Revenue Equivalent	60,754	525,281
Access Revenues	47,544	403,722
RM Group Revenue dilution	13,210	121,559
Per Unit (p)	3.9	4.2
RM Group Contribution dilution	10,568	97,247
Per Unit (p)	3.1	3.4



RM Wholesale Commentary:

- The number of contract holders remains at 25. One new customer, Document Outsourcing Ltd signed a Zonal Operator contract and the Hayes DX account was closed. No existing customers signed contract variations. There are 11 Operators and 14 CDAs. 9 Zonal contracts are in use.
- Volumes averaged 84m per week in the month, which was 9m items below the weekly average in November. Volumes in the month were 39.7m items (13.4%) above budget and 130m (63%) up on last year. The result fell slightly short of forecast (4.3m items) due to a quieter than expected week immediately before Christmas. The YTD shortfall of 7.3m items to budget should be closed over the rest of the year.
- Agency* volumes have continued to grow, July saw the first Agency customer posting and to date approximately 26.3m items have been posted via this route. In the period 9.8m items were posted, these accounted for c. 3% of overall volumes. December saw the first postings by Norwich Union, these have been small to date, but are expected to grow from January onwards. Goldfish have also signalled their intention to migrate postings from their CDA account to Agency access. There are four Agents active currently, UK Mail (5 customers), CitiPost (3 customers), Secured Mail (2 customers) & TNT (2 customers).
- The period's average unit revenue was above expectations largely due to TNT's (own traffic) 120 parcel volumes, increasing by 34% in December. Revenue per item also increased slightly on these items. The changes could reflect Amazon packet volumes in the run up to Christmas and a push by TNT to increase it's consolidated traffic volumes.

The contribution impact is derived by:
- Calculation of Retail Revenue Equivalent uses an average of prices based on assumption of where traffic has downtraded from within retail
- RM Group Contribution Dilution assumes that during the year some cost savings will be achieved

* Agency contracts enable Operators to act as an Agent on behalf of the customer. This means the Agency Customer does not pay VAT on the postage element.

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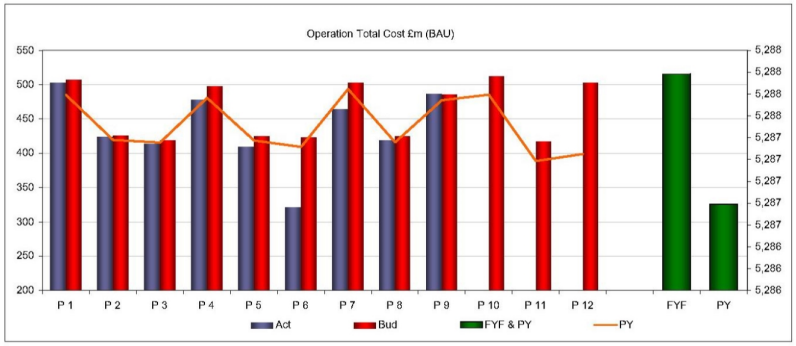
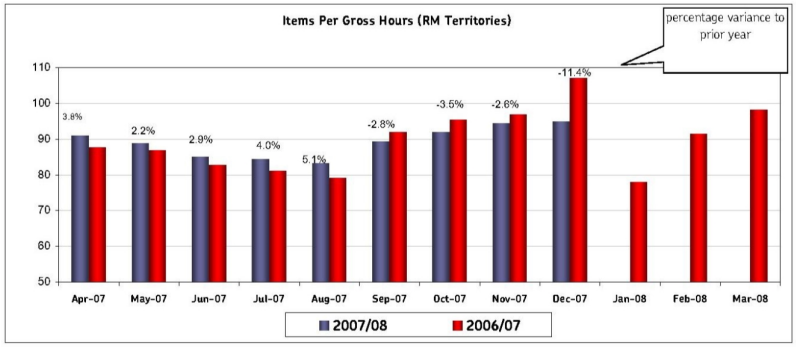
Operations (inc. International) Analysis

December 2007

Key Data		Month	Cum	FYF	PY	Status	*Key
Total Operations Cost % var		-0.1%	4.7%	2.8%	0.5%	▼	3
Gross Hours % var		-7.1%	0.0%	-0.4%	4.7%	▼	3
Sick Hours % Gross Hrs		3.3%	3.9%	3.9%	3.8%	▼	4
Agency & Casuals Hrs % var		-64.2%	-126.5%	-101.0%	-36.1%	▼	3
Overtime Hrs % var		-23.4%	-28.9%	-32.1%	-14.4%	▼	3
People Ops -	Full Time	111,013		108,000	116,236	▲	2
	Part Time	34,729		35,000	32,917	▼	2
	Joiners	1,736	10,172		6,959		
	Leavers	1,250	13,800		15,069		
VR -	VR Expenditure (£m)	2.0	66.9	153.6	83.0		
	VR Numbers - Absolute	74	1,908	4,266	2,377		
Vehicle -	Red Vans	31,010		29,299	29,850	▲	2
	Cost Per Mile	56.2	54.5		55.2	▼	3
	Number of miles travelled (k)	42,075	402,173		550,419		
Weighted Items -	Outward	1.4%	-1.9%	1.0%	-1.6%	▲	3
(Territories)	Inward	-1.0%	-3.1%	7.9%	-3.4%	▼	3
	Delivered	-5.8%	-1.7%	6.7%	-4.3%	▼	3
IPGH -	Processing	51	58	58	60	▼	1
	Delivery	124	108	108	108	▲	1
	Overall	95	89	89	89	▲	1
Area Unit Cost		13.3	12.5	12.4	11.4	▼	1

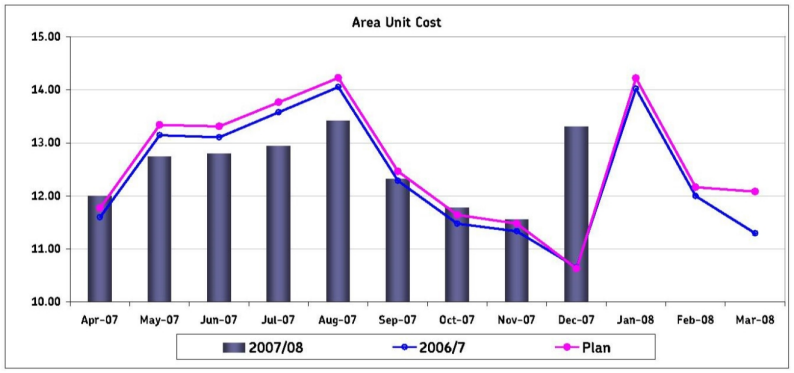
*Key: 1 = Cum actual v Exit Rate 2 = PY v FYF 3 = Month trend to Plan 4 = Cum to PY





Comments :

The cumulative performance in financial terms continues to underspend due to the settlement of the paydeal below the budgeted level; this will continue throughout the year. The gross hour overspend this month is primarily due to improved processes for the payment of overtime and scheduled attendance payments earned over the Christmas period; this has accelerated payments, and caused a misalignment with the budget. There have been high variable costs over the Christmas period, and this is expected to continue in the coming months as service restoration continues following the industrial action.
Permanent staffing is now beginning to increase, this should start to reduce the reliance on casuals and overtime to address the difficulties above.
There are disappointing weighted traffic results this month which has resulted in high area unit costs.



	Month					YTD				
	Actual	Budget	Var	Var %		Actual	Budget	Var	Var %	
Total depot unit cost £ (excl. Branch Direct & Transitional Staff)	2.7	2.8	0.1	4.4%	✓	3.0	3.0	0.0	0.5%	✓

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Operational Programme Summary December 2007

KEY PROGRAMME INDICATORS

Automation	YTD Budget	YTD Actual	YE cum f'cast	Future state
Machines Ordered	143	82	382	934
Machines Deployed	8	8	15	934
% Walksorted	72%	66%	Exit 75%	85%
% Sequenced	1%	1%	1%	75%
% Flats Automated	30%	28%	30%	80%

Best Practice / Other

Delivery Revisions	533	362	614	1003
MC Production Control	33	0	0	65

Commentary on deployment

- **Automation Utilisation:** Walksorted % has dipped significantly at Christmas (but still better year on year). Flats automated % has similarly been affected.
- **LSM Replacement:** The order for iLSMs has been placed.
- **Walk Sequencing:** Contract negotiations for the CSS machines are planned for completion in Jan 2008
- **Delivery Best Practice:** Withdrawal of CWU cooperation has delayed the Pegasus revisions. Since the agreement, Areas are producing plans to implement their outstanding revisions to realise benefits in line with the business case. The forecast is for 614 outdoor delivery revisions by the end of the financial year.
- **Delivery Methods:** Outputs from equipment trials have resulted in a review of the project with greater use of trolleys and vehicles. User testing is expected to resume in March/April 2008. Following this a decision will be made for the business case.
- **Paddington:** Phase 2 deployment - all remaining outward work into Mount Pleasant by 28 Jan 2008.
- **Thames Valley:** building work continues. Formal consultation continues with CWU nationally and locally.
- **Production Control:** roll-out continues with the Excel solution due to the delays with Daily Workload Scheduler, which will now start user testing in Jan 2008.
- **East London:** The site is no longer viable.
- **CFC:** replacement concept has been delayed to accommodate the outputs of the collection trials in Q4.

INVESTMENT LEVELS AND MILESTONES

Stage 0	Pre authority scoping
Stage 1	Business case approved
Stage 2	Order placed
Stage 3	Trial completed / or property build completed
Stage 4	Full authority to proceed
Stage 5	Deployment started
Stage 6	Deployment completed / or property operational
Stage 7	PIR

Milestones

Next stage to be completed	Stage	I/Case Date	Latest date	Benefits 08/09	Delay
Semi Auto Packets P3	7	Feb-08	Feb-08		Completed
56 mph	7	Feb-08	Feb-08	n/a	
DBP Desktop Revisions	6	Sep-08	Sep-08		IR sensitive
DBP Pegasus Revisions	6	Sep-08	Sep-08		IR sensitive
Prod Control systems	6	Sep-08	Feb-09		IS/IT late delivery
Digital Tachos	6	Apr-10	Apr-10	n/a	
Paddington	5	Jan-08	Jan-08		Phase 2
Delivery Methods	5	May-07	Jul-08		Equipment supply
IMP Refurbishment	5	Jan-08	Jan-08		
Thames Valley	4	Sep-08	Sep-08	n/a	
Flats Sorting	3	Oct-07	Oct-07		
East London	3	Feb-07	Apr-08	n/a	Site not viable
iLSM	3	Jan-09	Jan-09	n/a	
Semi Auto Pkts P4	1	Mar-08	Mar-08		
Walk Sequence m/cs	1	Feb-08	Jan-08		
TRMS	1	Jan-08	Jan-08		Deferred to 08/09
Northampton	1	Sep-07	Jan-08	n/a	
CFC Replacement	0	Sep-07	Jan-08	n/a	See note

Transformation cash spend	Budget	Actual	Y/E f'cast	Total to comp.	Total Inv Cs
Total Opx+Cpx	241	104	164	1,351	1,172

BENEFITS

Net Benefit	YTD Budget	YTD Actual	Y/E cum f'cast	IC F/state
Total £m	50.2	70.3	139	290

Cases authorised in 07/08	
Pay back in year	5
> 60% IRR	10
31-60% IRR	11
<30% IRR	2
No payback	8

Commentary notes :

1. Area underspends versus budget support the achievement of benefits in the plan. The benefits exclude pay deal and strike positive effects and are based on P8 area forecast.

2. Full year forecast underspends in transformational cash (opex + capex) principally due to variances of:
- East London VOC (£36.5m)
- Automation Utilisation (£27.6m)
- Mail centre projects (£20.0m)
- Property maintenance (£19.0m)
- Project Light (£10.0m)
- Delivery Methods (£8.4m)

3. One-off cash is for the operations strategic plan (excluding Commercial, including RMTracked) .
4. All numbers are for 07/08 to 10/11 and do not include 06/07.
5. Project numbers are at 07/08 prices for all years.
6. 07/08 authorised projects consist: 4 Compliance, 3 Replacement, 23 other category.

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Royal Mail Group - Period Cash Flow Statement - December 2007

	Period 9		Year to Date						
	Royal Mail Group EX POL Actual £m	POL Actual £m	Royal Mail Group EX POL Actual £m	Royal Mail Group EX POL Budget £m	POL Actual £m	POL Budget £m	Royal Mail Group Actual £m	Royal Mail Group Budget £m	Var £m
Operating Profit/(Loss) Before Allocations	**89**	**1**	**253**	**89**	**2**	**(12)**	**255**	**77**	**177**
Non Cash Items	17	(1)	153	168	(27)	(25)	126	143	(17)
EBITDA Before Allocations	**106**	**(1)**	**406**	**257**	**(26)**	**(37)**	**381**	**220**	**160**
(Increase)/Decrease in Stocks	1	(0)	(6)	(6)	(4)	(2)	(10)	(7)	(3)
(Increase)/Decrease in Debtors	(22)	17	(101)	(47)	3	(8)	(98)	(54)	(43)
Increase/(Decrease) in Creditors	(4)	(23)	47	(43)	388	48	435	5	429
Working Capital	**(26)**	**(6)**	**(60)**	**(95)**	**387**	**38**	**327**	**(56)**	**384**
Net Client Balances	**-**	**(225)**	**-**	**(1)**	**(388)**	**(270)**	**(388)**	**(271)**	**(117)**
Dividends from JVs & Assoc	-	-	8	4	24	29	32	33	(0)
Additions of Tangible & Intangible Fixed Assets **	(36)	(7)	(174)	(300)	(44)	(54)	(219)	(354)	136
Disposal Proceeds from Tangible & Intangible Fixed Assets	2	-	20	13	4	-	24	13	11
Transfer to POL of Tangible Fixed Assets	0	(0)	4	10	(4)	(10)	-	-	-
Net Capital Expenditure	**(34)**	**(7)**	**(150)**	**(277)**	**(44)**	**(64)**	**(194)**	**(341)**	**147**
Acquisitions	-	-	(1)	-	-	-	(1)	-	(1)
Redundancy, Provisions & Exceptionals	(4)	(9)	(79)	(144)	(47)	(79)	(127)	(223)	96
Pensions (ex Redundancy)	11	(0)	93	119	6	8	98	127	(28)
Other Cash Movements	8	(0)	12	4	0	313	12	317	(306)
Operating Cashflow Before Allocations	**60**	**(248)**	**228**	**(133)**	**(88)**	**(62)**	**140**	**(195)**	**335**
Allocations	3	(3)	22	23	(22)	(23)	-	-	-
Operating Cashflow	**63**	**(250)**	**251**	**(110)**	**(111)**	**(85)**	**140**	**(195)**	**335**
ColleagueShare Costs	0	-	(0)	9	(0)	(9)	(0)	(1)	1
Free Cashflow Before Interest & Tax	**63**	**(250)**	**251**	**(101)**	**(111)**	**(95)**	**140**	**(196)**	**336**

** includes £16m of finance leased assets

Funding Analysis

Includes uncommitted bank facilities of £300m

Debt	RMG exPOL £m	POL £m	Total £m
Total borrowing facilities	2,000	1,150	3,150
Deduct utilised committed facilities	500	670	1,170
Deduct utilised uncommitted facilities	0	0	0
Headroom	**1,500**	**480**	**1,980**

Note: Zero loaned to POL at P9 P/E

Investments			
Financial Asset Investments	1,116.7	0	1,116.7
Cash Equivalent Investments	458.1	340.5	798.6
Total Investments	**1,574.8**	**340.5**	**1,915.3**
Less Postcap investments incl Gilts (not available to Treasury)	21.7	0	21.7
Less Pension Escrow Investments (not available to Treasury)	1,046.4	0	1,046.4
Available for use	506.7	340.5	847.2

For information - at period end Till money stood at : 1059

Pensions Cash Sweep Analysis

	YTD £m	FYF £m
Free Cashflow Before Interest & Tax	140	(378)
Adjustments	(161)	(514)
Adjusted Free Cashflow	(21)	(892)

(Calculation less than zero so no further computation, cash sweep is nil)

Amount into Escrow:	**nil**	**nil**

Facilities and Covenants

Committed Facilities

Facility Expires:
C1 £600m 2014
E £300m 2014
Sub Debt £300m 2016
GLS £500m 2025

Facility Expires: March 2016

Actual Funding Headroom £1.2bn (as per Budget)

	Total Amount £m	Drawn down at Dec-07 £m	Covenants
RMG Ltd	1700	500	Yes
POL	1150	670	No

Covenants - £900m Senior Credit Facility

	Mar-07	Sep-07	Mar-08
Fixed Charge cover (The ratio of Cash EBITDA to Fixed Charges)			
Drawstop Ratio	1.15x	1.15x	1.15x
Default Ratio	1.05x	1.05x	1.05x
Actuals for Mar 07 and Sep 07, F/C for Mar 08	3.10x	3.55x	1.44x
Leverage Multiple Ratio (Lease adjusted Net Indebtedness divided by Cash EBITDAR)			
Drawstop Ratio	5.0x	5.0x	5.0x
Default Ratio	5.5x	5.5x	5.5x
Actuals for Mar 07 and Sep 07, F/C for Mar 08	1.86x	1.63x	3.55x
Loan to value Ratio (The ratio of Net Indebtedness (excluding Subordinated Debt - but offsetting cash and investments) to the Value of Total Property Assets)			
Drawstop Ratio	75%	75%	75%
Default Ratio	85%	85%	85%
Actuals for Mar 07 and Sep 07, F/C for Mar 08	4.7%	1.6%	27.8%

Covenants - £500m GLS Loan Facility

Total Indebtedness	£m	£m	£m
Limit (RMG only and excluding subordinated debt)	1620	1620	1620
Actuals for Mar 07 and Sep 07, F/C for Mar 08	504	505	502
Consolidated Operating Cashflow / Net Interest Costs			
Limit	3.5x	3.5x	3.5x
Actuals for Mar 07 and Sep 07, F/C for Mar 08	N/A	226.3x	12.6x

Note: At March 2007 the relevant interest figure was positive, therefore there was no cost to cover.

Key highlights :

- Operating cashflow in the month was an outflow of £187m of which £225 outflow relates to POL Net Client Balances;
- YTD operating cashflow is an inflow of £140m, favourable to budget by £335m;
- Operating cashflow includes upfront cash of £150m for the Social Network for the year;
- The £313m of Transformational Funding (as outlined in the POL Funding Agreement) was received from Government on 31st July 2007.

The **key year to date budget variances** are as follows: -

- **Working Capital - £384m favourable** principally explained as follows:-

Debtors (£43m adverse variance). Mainly in Letters as a result of higher than budgeted Revenue and Wholesale debtors, vehicle lease debtors and prepayments, offset by lower than budgeted income accruals. POL invoiced debtors were lower than budgeted.

Creditors (£429m favourable variance). Included in this variance is £313m relating to the receipt of Transformational Funding (see above). The actual receipt is included in Creditors, whereas the budget for the receipt is included in Other Cash Movements (see below). The remaining variance is mainly driven by higher accruals for Pay and Bonus and customer stamp / meter credit holdings, and higher tax and NI creditors as a result of pay award payments in Letters, together with higher than budgeted accruals in POL connected with Homephone and broadband marketing promotions.

- **Net Client Balances - £117m adverse** variance mainly due to higher than budgeted cash holdings as a result of the advanced funding of Christmas double benefit payments which was not taken advantage of by all claimants.
- **Net capital expenditure - £147m favourable:-**

The capex favourable variance is in the main due to timing differences and is analysed as follows; favourable variances of £72m Letters, £63m Property Holdings, £10m POL, £6m GLS, £6m P&OD and £7m Comms and Secretariat partially offset by an adverse variance of £19m Group Functions.

- **Other Cash Movements - £306m adverse** variance mainly as a result of the actual receipt for Transformational Funding being included in Creditors (see Creditors above).

* Letters includes Wholesale

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Royal Mail Group - Balance Sheet - December 2007

	Opening Actual £m	Period Movement Actual £m	Period Movement Budget £m	Period Movement Var. £m	Year to Date Position Actual £m	Year to Date Position Budget £m	Year to Date Position Var. £m
Tangible Fixed Assets	**1,626**	**25**	**4**	**21**	**1,623**	**1,728**	**(106)**
Intangibles & Fixed Assets Investments	**321**	**(4)**	**4**	**(8)**	**353**	**330**	**23**
Stock	26	(1)	(0)	(1)	36	34	3
Debtors	973	5	(26)	31	1,071	1,028	43
Creditors (inc SIS & Tax)	(1,668)	29	19	11	(2,107)	(1,776)	(331)
Working Capital	**(669)**	**34**	**(8)**	**41**	**(1,000)**	**(715)**	**(285)**
Pension Creditor	**(4,985)**	**(1)**	**(4)**	**3**	**(2,655)**	**(5,020)**	**2,365**
Deferred Tax	**400**	**0**	**(1)**	**1**	**393**	**390**	**3**
Pension Redundancy Creditor	**(14)**	**4**	**6**	**(2)**	**(3)**	**(12)**	**8**
Provisions	**(111)**	**(10)**	**13**	**(23)**	**(360)**	**(239)**	**(122)**
Client Debtors	61	44	93	(49)	118	152	(34)
Client Creditors	(303)	(3)	0	(3)	(263)	(205)	(58)
Client Cash	768	185	50	135	1,059	850	209
Net Client Balance	**525**	**225**	**143**	**82**	**913**	**796**	**117**
Financial Asset & Cash Equivalent Investments	1,384	512	111	402	1,915	1,305	610
Cash at Bank	62	(12)	5	(17)	63	36	27
Loans & Finance Leases	(804)	(689)	(187)	(502)	(1,197)	(897)	(300)
Net Trading Funds/(Debt)	**643**	**(189)**	**(71)**	**(118)**	**782**	**445**	**337**
Net Assets	**(2,264)**	**84**	**87**	**(3)**	**45**	**(2,295)**	**2,340**

Analysis of Tangible Fixed Assets		**£m**
Assets in use :		1,496
Assets not in use :	- Assets Held for Sale	0
	- Other Property	6
Assets not yet in use :	- Flats Phase 2	20
	- IMP Refurb	17
	- HWDC	4
	- RM Other	2
	- LSM	5
	- CBRN	2
	- DMS Phase 2	3
	- Other	6
	- Property	62
	- Vehicles	0
Total Tangible Fixed Assets		**1,623**

YTD Movement in Tangible Fixed Assets		**£m**
2007-2008 opening actual		**1,626**
YTD additions	154	
YTD depreciation	(145)	
YTD reclassification	0	
YTD disposals	(10)	
YTD impairment	(11)	
YTD exchange rate differences	9	
YTD acquisition of a business	0	
2007-2008 Closing Actual		**1,623**

"Trade" Debtor & Creditor Days Analysis		
Year to Date		
	Debtor Days	**Creditor Days**
Actual	39.0	15.3

Debtor days remain high due to the increase in debt in Royal Mail Retail for Christmas stamps. Trade creditors is in line with seasonal trends

Pensions Deficit - December 2007	Mar-07	Nov-07	Dec-07
FTSE all share index	3297	3198	3270
AA bond rate	5.3%	5.9%	5.9%
Inflation	3.1%	3.3%	3.4%
IAS19 deficit (£bn)	**5.0**	**3.5**	**3.7**

The actuarial gains at the half year have been posted to the accounts. Subsequent changes are approximate and have not been posted.

UK Trade Debt Analysis		**Trade Debt £m**	**Bad Debts Provided £m**	**Net Debt £m**	**Profile of Trade debt Dec-07 %**	**Nov-07 %**	**Mar-07 %**
Current debt		435	1	434	83	87	87
Overdue by:	1-28	63	1	62	12	7	7
(Days)	29-59	7	1	6	1	2	2
	Over 60	21	12	9	4	4	4
Total UK Trade Debt		**526**	**15**	**511**	**100**	**100**	**100**

In the month bad debt provision of £551k with a further £275k expected in period 10 have been raised against MOBBIVIL Ltd. This is a new customer who made major postings over a 3 day period. The debt has been referred to RM legal services for advice.

GLS - Trade Debt Analysis		**Trade Debt £m**	**Bad Debts Provided £m**	**Net Debt £m**	**Profile of Net Debt Dec-07 %**	**Nov-07 %**	**Mar-07 %**
Current debt		122	3	119	77	77	85
Overdue by:	1-30	26	0	26	16	16	10
(Days)	31-60	4	0	4	3	3	1
	over 60	7	5	2	4	4	4
Total UK Trade Debt		**159**	**8**	**151**	**100**	**101**	**100**

Year to Date Debtors		**£m**
Net UK trade debt (see ageing analysis)		511
Terminal dues (see ageing analysis)		185
GLS trade debtors (see ageing analysis)		151
Property rentals/vehicle leases and other prepayments		121
Accrued income		23
Exhange differences (Difference - budget to actual)		8
Other debtors :		
RMPTL Debtors	31	
POL Client sundry and CLASS balances	13	
Spring Joint Venture Debtors	11	
ROMEC/NDC External Drs	10	
Learning for All and other employee debtors	5	
Interest and Capital Debtors	2	
Total Debtors		**1,071**

Terminal Dues Debtor/Creditor Analysis	**Debtor £m**	**Creditor £m**	**Net indebtedness £m**
Aged Debt by calendar year:			
2001	1	(2)	(1)
2002	1	0	1
2003	1	0	1
2004	0	0	0
2005/2006/2007	182	(168)	14
Total International Debtors & Creditors	185	(170)	15

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Royal Mail Letters - Year to Date Licence and Non-Licence Q of S Standards - December 2007

No.	Scheduled Service or Standardised Measure	Licence Full Year Standard	Actual Cum To Period 9	Rest Of Year Requirement To Meet Licence Target	Financial Consequences		Commentary from Head Of Service Compliance
					C Factor	Business Compensation	
1	Retail First Class	93.0	83.0	> 100	42.5		Period 9 was 5 November - 2 December. The final date of the national strikes was 9 October. The result for the period was 87.6 which means there was a longer recovery period following the strikes in Quarter 3 than following the strikes in Quarter 2. The cumulative result continues to put 1C S&M at the maximum C-factor financial adjustment.
2	Retail Second Class	98.5	94.8	> 100	16.7		97.5 in the period, which is a relatively better performance than 1C S&M and closer to the 98.5 target. The Licence full year target is unachievable, but the cumulative result is not at the maximum C-factor financial adjustment level.
3	Bulk First Class	91.0	80.9	> 100		40.4	The cumulative result of 80.9 continues to place performance at the maximum level of Business Compensation Scheme payout. The period results were M1 = 83.6, P1 = 86.1, 1C S&M = 86.9, 1C RS = 79.1.
4	Bulk Second Class	97.5	92.7	> 100		50.0	The cumulative result of 92.7 is an improvement, and moves performance below the maximum level of Business Compensation Scheme payout. The period results were M2 = 97.0, P2 = 97.7 (above target), 2C PPI = 96.8, 2C RS = 90.6.
5	Bulk Third Class	97.5	95.8	> 100		10.4	96.3 in the period, which improves the cumulative result although it remains within the range which triggers the Business Compensation Scheme.
6	Standard Parcels	90.0	88.6	94.7	0.3		87.8 in the period, which continues within the trigger for C-factor penalty.
7	European International Delivery	85.0	92.8 (P8)	67.9	0.0		Remains well above the Licence standard.
8	Special Delivery Next Day Non-Account Customers	99.0	97.5	> 100	Not Applicable		98.2 in the period, 97.5 cumulatively. Special Delivery does not attract C-factor or Business Compensation consequences.
9	Postcode Area: 1st Class Stamped And Meter Delivered From UK	91.5% minimum in all Postcode Areas except 3 (118)		All PCAs will fail the full-year standard which means the maximum C-factor adjustment of £12.5m	12.5		All 121 PCAs remain cumulatively below the Licence minimum level of 91.5 and mathematically incapable of meeting the full-year standard. The range of results for Periods 1-9 cumulative is between CO Colchester (75.8) and TW Twickenham (88.2)
10	Percentage Of Collection Points Served Each Day (USO)	99.9	96.95	> 100	12.5		This is self-measured and, as agreed with Postcomm, includes Social performance for Periods 1-9 and Business performance for Periods 7-9. Cumulative performance is at the maximum C-factor adjustment level.
11	Percentage Of Delivery Routes Completed Each Day (USO)	99.9		TBC	12.5		This is self-measured. The result for Period 9 (period and cumulative) is not yet available, but will remain at the maximum C-factor adjustment level.
12	Percentage Of Items Delivered Correctly	99.5	99.66	98.96	0.0		Remains above the Licence Standard level in the period and cumulatively, which confirms that the industrial action had no substantive impact.
				Total £(m) =	197.8		

Postcomm have agreed to consider at the year end a submission from Royal Mail for dispensation for the impact of industrial action in respect of transformation activity. If Royal Mail's submission is agreed by Postcomm the revised QofS results to date would not trigger any financial penalties for product performance - but PCA and the USO targets have an underlying risk.

Red = Rest Of Year Requirement is above Cumulative Actual

Green = Rest Of Year Rec Green = Rest Of Year Requirement is at or below Cumulatiris at or below Cumulative Actual

Key Points To Note :

* Period 1-9 for all measures except International was 19/03 - 02/12 (37 weeks).
* Period 1-8 for International was 01/04 - 30/11.
* Cumulatively 2/12 measures (European International Delivery and Items Delivered Correctly) are above the Licence Standard. Each of the remaining measures (except Parcels) has a rest of year requirement to meet the full-year standard which is mathematically unachievable.
* Postcomm's attitude to the submission for dispensation for the impact of the industrial action will undoubtedly be influenced strongly by the level of performance in Quarter 4, and it will be important to demonstrate that, post-industrial action, the performance has returned to pre-industrial action / at or above target levels.

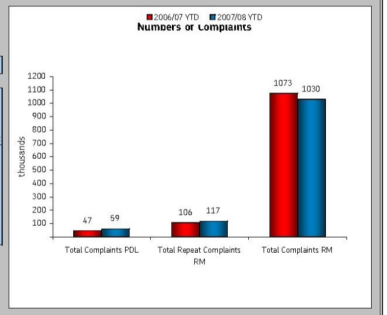
ANALYSIS COMPLETED BY : RONNIE HENDERSON - HEAD OF SERVICE COMPLIANCE

Non-Licence Quality of Service Results

Non Licence Quality of Service Results

2 out of 5 Non Licence targets were achieved in the month, 4 out of 5 YTD

			YTD Actual	YTD Target
PFWW	✓	PF 24	96.4%	96.2%
	✗	PF Timed	96.2%	96.7%
	✓	% of Profitable Products	43.2%	42.8%
	✓	Quality of Service - Import	97.9%	97.7%
	✓	Customer attrition % - Remaining customer %	100.0%	100.0%



The above analysis was provided by the Business Units

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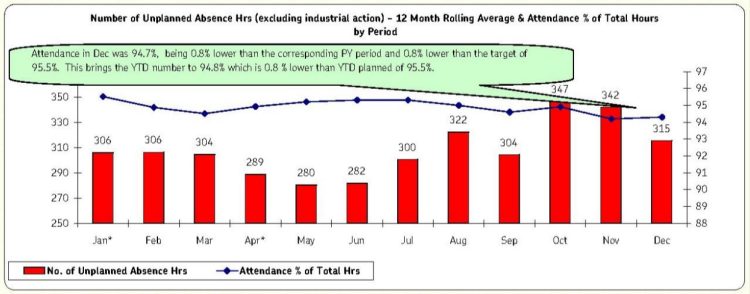
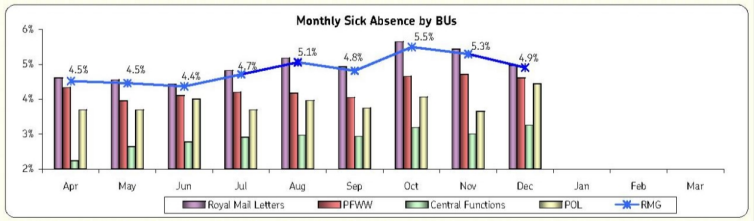
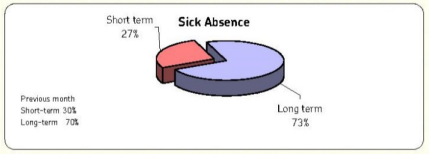
Royal Mail Group - Health and Safety - December 2007

Attendance / Absence / Avoidable Costs

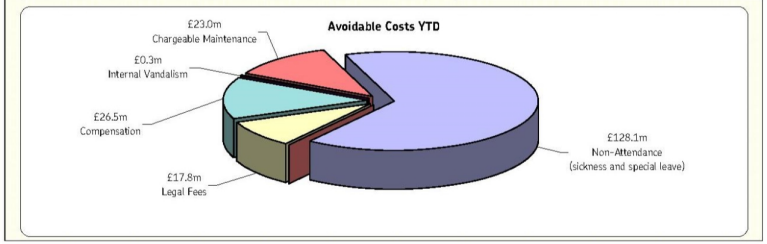




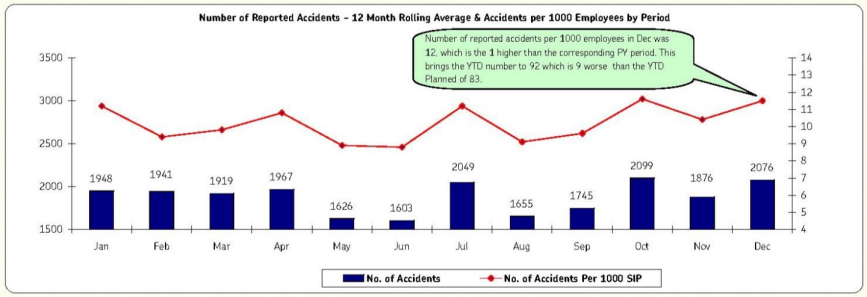


Top 5 known causes of sick absence

1.	Injury and Poisoning	16.3%
2.	Diseases of the Respiratory System	16.0%
3.	Mental Disorders	14.2%
4	Musculoskeletal System and Connective Tissue	13.9%
5.	Symptoms, Signs, and Ill-Defined Conditions	5.5%



Safety / Industrial Action



Third Party Claims Costs within Commercial Vehicle Fleet:		Current month YTD £m	Previous month YTD £m
Personal injury claims (Compensation, Statutory Liabilities & Legal costs)		4.8	4.2
Third Party Property Claims (Non Vehicular)		3.4	3
Third Party claims (Vehicular)		5.5	4.8
Less Monies Recovered from Third Parties		-1.2	-1.1
Total (Net of Recovered Monies)		**12.5**	**10.9**
No. of Accidents Reported		10661	9268
No. of Fatalities		4	4
% of RMG drivers deemed at fault		68%	69%
No. of Vehicle Repairs where accident not prior reported		25%	25%
% of Accidents reported within 24 hours	- Royal Mail Letters	87%	87%
	- PFW	90%	90%
	- Network Operations	93%	92%
	- Cash Services	92%	92%

Source: Logistics Vehicle Fleet Team
*4 Fatalities from RTA's, none in Period 9 - all of which were third party

Date	Area	Office
02.04.07	Branch Direct West - Bristol Hub	Branch Direct Exeter
22.05.07	Croydon	Croydon Office
26.07.07	Exeter	Exeter MC
01.09.07	Cumbria & Lancashire	RML Carlisle Collections & Network

Industrial Action

Industrial action days lost: Month = 1,639, up by >100% year-on-year. YTD = 731,955, up by >100% year-on-year.
Data issues have been identified within HR regarding the capture of industrial action data and are currently being addressed.

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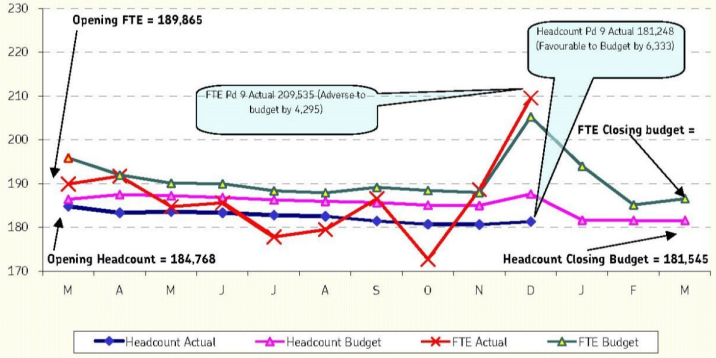
Royal Mail Group - People Measures - December 2007

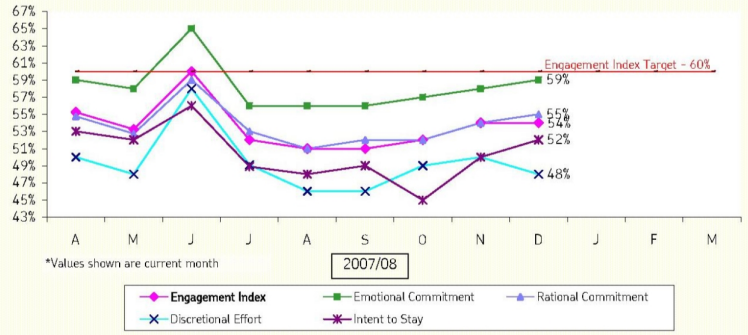
Headcount / FTE Analysis

Headcount increased by 614 in Dec against a budgeted increase of 2,624, bringing the YTD movement to a reduction of 3,520. FTEs increased by 20,923 vs the budgeted increase of 17,301 for the month.

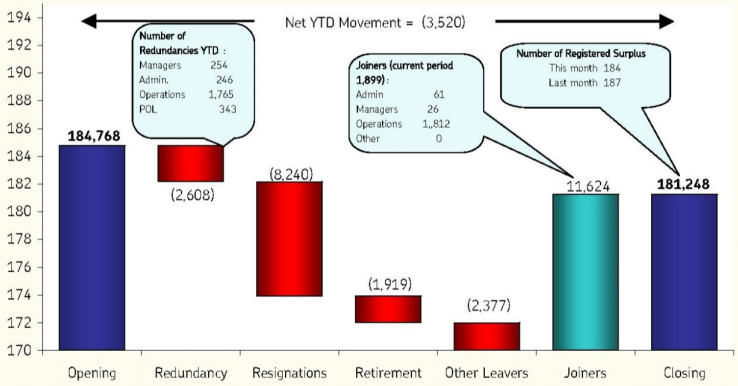


Engagement Index

Engagement Index is based on HYS results for agree and strongly agree responses to 13 questions, analysed into four categories as shown.
The Index is 54% in the month which is the same as last month. This brings the year to date index to 54% which is 6% below target.

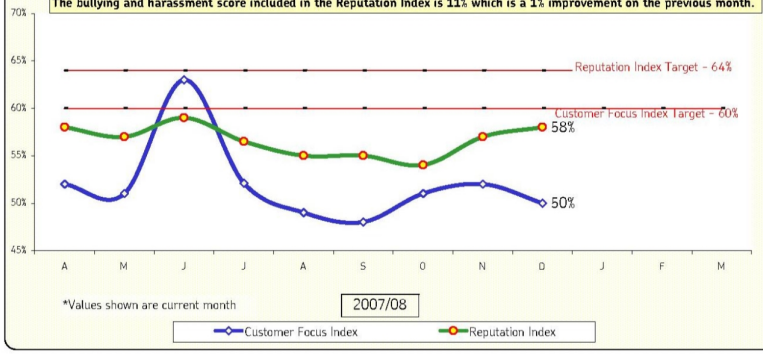


Year To Date Movement of People



Customer Focus / Reputation Index (HYS only)

The Customer Focus Index is 50% in the month which is 2% worse than last month . This brings the year to date index to 53% which is 7% below target. The Reputation Index is 58% in the month which is 1% better than last month. This brings the year to date index to 57% which is 7% below target.
The bullying and harassment score included in the Reputation Index is 11% which is a 1% improvement on the previous month.



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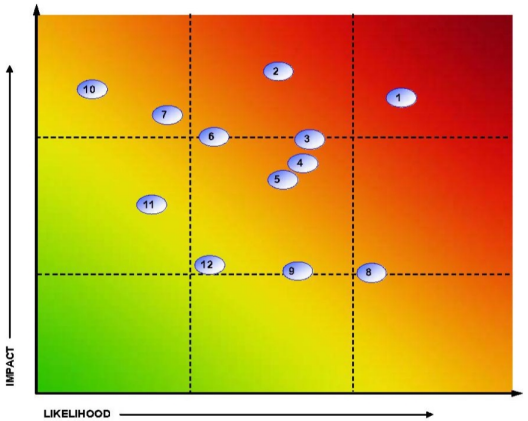
Corporate Risks and Potential Business Exposures - December 2007

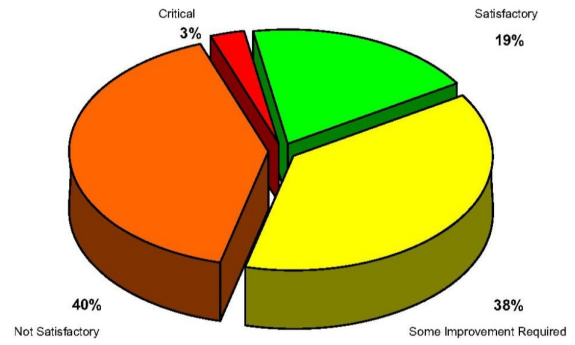
Group Risk Profile (GRP)



	There is a risk that...	Sponsor	Action Owner	Update to GET
1	Cultural and Trade Union resistance to change delays or prevents the achievement of plan objectives.	to be confirmed	K Green D Moore P MacDonald	to be confirmed
2	The skills of our management and line personnel cannot deliver our Strategy or Business Plan.	to be confirmed	K Green D Moore P MacDonald	July 2008
3	We are unable to innovate and generate new product revenue.	M Higson A Cook	A Batchelor G Hockey-Morley	Done
4	Alternative delivery networks will emerge (bypass).	A Smith	A Batchelor	May 2008
5	Our IT strategy, capability and provision does not meet the operational or commercial needs of the business.	R Dargue	W Powney	February 2008
6	We do not successfully manage and deploy major projects.	M Higson A Cook	G Thoonen S Whalley	March 2008
7	The Letters Transformation Programme, as designed, will not deliver the necessary benefits.	M Higson	G Thoonen	Done
8	We can't work successfully within, or influence change to, the regulatory regime.	A Smith	M Prince	January 2008
9	We don't anticipate and respond to declines in market volumes.	M Higson	A Batchelor	June 2008
10	The business is unable to continue to fund its pension provision.	I Duncan	F Schinella	September 2008
11	We don't win the replacement for the Post Office Card Account.	A Cook	G Hockey-Morley	August 2008
12	The business does not receive its due revenues from the sale of mail products.	M Higson	D Wakefield	April 2008

Changes/updates: The rolling review continued in December with a presentation to GET on the risk that 'The Letters Transformation Programme, as designed, will not deliver the necessary benefits'. A further update on this risk will be provided to GET early in 2008.

IA&RM Assignment Ratings Year to Date as at December 2007



Assessment of Critical Business Processes (CBPs)

CBP Title	Period 9 CBP Status Report				
	No. of CBPs	Assessed in 07/08	Status of critical controls within CBP		
			Satisfactory (Full Deployment)	Minor Weaknesses (Substantial/ Partial Deployment)	Major Weaknesses (Limited Deployment)
Royal Mail Letters	20	11	8	3	0
Post Office Limited	16	16	8	8	0
Parcelforce Worldwide	13	8	8	0	0
Royal Mail Wholesale	4	1	1	0	0
Corporate Centre P&ODS	7	0	0	0	0
Group Finance	6	5	5	0	0
Group Procurement	5	5	2	3	0
Group Property	7	1	0	1	0
Group Technology	6	6	2	4	0
Totals	**84**	**53**	**34**	**19**	**0**

Satisfactory	Full Deployment (greater than 90% of critical controls are fully deployed)
Minor Weakness	Substantial Deployment (between 80-90% of critical controls are deployed) Partial Deployment (between 60-80% of critical controls are deployed)
Major Weakness	Limited Deployment (less than 60% of critical controls are fully deployed)

Changes/updates to areas of control weakness:
The number of reported satisfactory CBPs have increased from 33 to 34 in the period (Wholesale: External Controls), and there was one reported minor weakness (Group Property: Compliance with Regulation - substantial deployment). There were no reported major weaknesses for the period.

Commentary

Group Risk Profile (GRP)
There are no changes to the GRP for period 9.

Critical Business Processes (CBPs)
To date, 63% of CBPs have been self assessed by the business of which 38% have been validated by IA&RM. Of the 53 controls assessed, 19 (36%) are shown as having minor weaknesses. There are no areas of major control weaknesses reported

Internal Audit & Risk Management (IA&RM) Assignment Results
Ten reports have been issued in the period, of which two were rated as**Not Satisfactory:**

Sales Invoice Process (POL)
Key issues: No minimum process standards or supporting documentation making it difficult to readily identify controls within the Sales Invoice Process; no validation testing of internal or external data on a consistent or regular basis; reviews not consistently undertaken or documented to ensure rates were being applied in line with contracts; and product and supporting systems were not specifically designed to minimise manual intervention.
What is being done: POL are developing an action plan to design and implement a modern, professional centralised Sales Invoicing control environment.

Collection Handshake Project - POL Agency Packets Segregation - Risk Analysis (RML) ***Key risks:*** Benefits calculations did not include all direct costs of the project; a formal agreement with the National Federation of Sub-Postmasters (NFSP) had not been concluded; project resource had not been ring-fenced with many Area Leads diverted to operational roles during strike activity; and current compliance levels were estimated between 60-70%.
What is being done: A PIR is to be undertaken to identify lessons learnt; final agreement is to be made with NFSP; Area Programme Managers are being supported to ensure area deployment focus; and a review of the compliance monitoring approach is to be undertaken.

IA&RM Risk Workshops
The Network Risk Profile was issued this period.

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Appendices

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Royal Mail Letters (inc. Wholesale) Profit/(Loss) Statement - December 2007

	Period 9 £m				Year to Date £m				Full Year £m			
	Actual	Budget	Var.	Prior Yr	Actual	Budget	Var.	Prior Yr	Forecast	Budget	Var.	Prior Yr
External Income	711	706	5	680	5,128	5,259	(132)	5,241	6,837	7,017	(180)	6,857
Exchange Rate Difference on Income	0	0	0	0	0	0	0	0	0	0	0	0
Total External Income	**711**	**706**	**5**	**680**	**5,128**	**5,259**	**(132)**	**5,241**	**6,837**	**7,017**	**(180)**	**6,857**
Inter Business Income	10	10	(0)	10	79	84	(5)	80	108	112	(3)	106
Total Income	**721**	**716**	**5**	**690**	**5,207**	**5,343**	**(136)**	**5,321**	**6,945**	**7,129**	**(183)**	**6,963**
Wages and Salaries	(254)	(260)	6	(250)	(2,357)	(2,531)	175	(2,434)	(3,261)	(3,427)	166	(3,228)
Overtime	(58)	(50)	(8)	(57)	(331)	(293)	(38)	(321)	(425)	(384)	(41)	(410)
Productivity / Bonus	(21)	(20)	(1)	(20)	(77)	(75)	(2)	(80)	(94)	(96)	2	(99)
Employers NI & Social Security	(28)	(25)	(3)	(24)	(205)	(215)	10	(211)	(272)	(291)	19	(278)
Pension (Charge)/Receipt	(49)	(51)	2	(49)	(448)	(489)	41	(460)	(607)	(662)	54	(630)
Temporary Resource	(19)	(17)	(3)	(17)	(63)	(35)	(29)	(45)	(80)	(43)	(37)	(59)
Total Staff Costs	**(430)**	**(423)**	**(7)**	**(417)**	**(3,480)**	**(3,638)**	**158**	**(3,551)**	**(4,739)**	**(4,902)**	**163**	**(4,704)**
Agents Costs	0	0	0	0	0	0	0	0	0	0	0	0
Total People Costs	**(430)**	**(423)**	**(7)**	**(417)**	**(3,480)**	**(3,638)**	**158**	**(3,551)**	**(4,739)**	**(4,902)**	**163**	**(4,704)**
Conveyance, C&D Charges	(29)	(39)	10	(36)	(207)	(241)	35	(221)	(290)	(321)	31	(275)
Compensation	(4)	(4)	1	(2)	(37)	(33)	(4)	(31)	(52)	(45)	(7)	(42)
Property Facilities	(1)	(1)	0	(1)	(4)	(6)	2	(4)	(7)	(8)	1	(5)
Property Maintenance	(1)	(1)	0	(1)	(7)	(7)	1	(8)	(9)	(10)	1	(10)
Vehicles	(25)	(25)	0	(24)	(177)	(189)	11	(188)	(239)	(256)	17	(245)
Computers & Telephones	(0)	(1)	1	(0)	(1)	(6)	4	(2)	(4)	(8)	5	(2)
Consultancy, Marketing & Legal Fees	(11)	(9)	(2)	(8)	(77)	(85)	8	(77)	(103)	(110)	7	(99)
Staff & Agents Related Costs & Consumables	(10)	(7)	(3)	(8)	(55)	(63)	8	(74)	(73)	(88)	15	(89)
Finance	(4)	(3)	(2)	(6)	(22)	(23)	0	(25)	(29)	(30)	1	(26)
Other Bought in Services	(1)	(0)	(0)	(0)	(2)	(1)	(1)	(0)	(3)	(2)	(1)	(0)
Other Operating Costs	(6)	(5)	(2)	(3)	(31)	(53)	21	(30)	(39)	(68)	30	(38)
Exchange Rate Difference on Expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-People Costs	**(91)**	**(94)**	**3**	**(89)**	**(621)**	**(706)**	**85**	**(660)**	**(847)**	**(946)**	**100**	**(832)**
External Expenditure	**(521)**	**(517)**	**(4)**	**(507)**	**(4,101)**	**(4,343)**	**242**	**(4,210)**	**(5,586)**	**(5,848)**	**262**	**(5,535)**
Depreciation	(12)	(13)	1	(11)	(109)	(116)	7	(103)	(145)	(154)	9	(138)
Amortisation	(2)	(2)	0	0	(9)	(15)	6	(2)	(12)	(21)	9	(4)
Total Depreciation & Amortisation	**(14)**	**(15)**	**1**	**(11)**	**(118)**	**(131)**	**13**	**(106)**	**(157)**	**(175)**	**18**	**(141)**
IB Expenditure & ICC Incurred	(90)	(85)	(5)	(89)	(674)	(678)	4	(669)	(897)	(902)	4	(877)
Total Expenditure	**(625)**	**(616)**	**(8)**	**(607)**	**(4,894)**	**(5,153)**	**259**	**(4,985)**	**(6,640)**	**(6,925)**	**285**	**(6,554)**
Indirect Controllable Costs - Recovered	0	0	0	0	2	0	2	2	2	0	2	3
Share of Profit - JV/Associates	0	0	0	(0)	1	0	1	(0)	1	0	0	(0)
Operating Profit before Allocations	**97**	**100**	**(3)**	**84**	**316**	**190**	**126**	**338**	**308**	**204**	**103**	**411**
Overhead Allocation	(25)	(25)	1	(21)	(197)	(224)	28	(216)	(276)	(294)	18	(275)
Operating Profit after Allocations	**72**	**75**	**(3)**	**62**	**119**	**(34)**	**153**	**122**	**32**	**(89)**	**121**	**136**
Operating Exceptionals	0	0	0	0	(89)	(90)	1	(72)	(120)	(120)	(0)	(134)
Operating Exceptionals Allocation	0	0	0	0	(1)	0	(1)	0	(1)	0	(1)	0
Profit/(Loss) on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	1	0	1	0
Profit Before Interest & Tax (PBIT)	**72**	**75**	**(3)**	**62**	**29**	**(124)**	**153**	**50**	**(89)**	**(209)**	**120**	**2**
Net External Interest	(0)	0	(0)	0	(1)	0	(1)	(1)	(1)	0	(1)	(1)
Net IB Interest	2	0	2	2	17	7	10	12	20	10	10	20
Pensions notional interest	9	8	0	13	84	80	4	130	112	109	3	173
Total Net Interest	**11**	**9**	**2**	**15**	**100**	**87**	**13**	**142**	**131**	**119**	**12**	**192**
Profit Before Tax (PBT) and ColleagueShare costs	**82**	**83**	**(1)**	**77**	**128**	**(37)**	**165**	**192**	**42**	**(91)**	**133**	**194**
ColleagueShare costs	0	0	0	0	0	(75)	75	0	(222)	(150)	(72)	(0)
Profit Before Tax (PBT)	**82**	**83**	**(1)**	**77**	**128**	**(112)**	**240**	**192**	**(180)**	**(240)**	**60**	**194**
Margin from Operations	**10%**	**11%**	**(0%)**	**9%**	**2%**	**-1%**	**3%**	**2%**	**0%**	**-1%**	**2%**	**2%**
PBITDA Before Exceptionals	*85*	*89*	*(4)*	*73*	*237*	*97*	*140*	*228*	*189*	*86*	*103*	*278*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*85*	*89*	*(4)*	*73*	*237*	*97*	*140*	*228*	*188*	*85*	*102*	*278*

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Post Office Limited Profit/(Loss) Statement - December 2007

	Period 9 £m				Year to Date £m				Full Year £m			
	Actual	Budget	Var.	Prior Yr	Actual	Budget	Var.	Prior Yr	Forecast	Budget	Var.	Prior Yr
External Income	70	74	(4)	59	674	682	(8)	605	920	925	(4)	868
Exchange Rate Difference on Income	0	0	0	0	0	0	0	0	0	0	0	0
Total External Income	**70**	**74**	**(4)**	**59**	**674**	**682**	**(8)**	**605**	**920**	**925**	**(4)**	**868**
Inter Business Income	42	40	2	45	268	271	(3)	271	357	359	(1)	348
Total Income	**111**	**114**	**(2)**	**104**	**942**	**953**	**(11)**	**877**	**1,278**	**1,283**	**(6)**	**1,216**
Wages and Salaries	(16)	(16)	(0)	(16)	(152)	(156)	3	(164)	(207)	(211)	5	(210)
Overtime	(1)	(1)	(0)	(1)	(10)	(9)	(1)	(10)	(13)	(11)	(1)	(13)
Productivity / Bonus	(1)	(1)	(0)	(1)	(10)	(10)	0	(9)	(14)	(14)	0	(12)
Employers NI & Social Security	(1)	(2)	1	(1)	(13)	(14)	1	(14)	(19)	(19)	0	(19)
Pension (Charge)/Receipt	(4)	(3)	(0)	(4)	(30)	(33)	3	(34)	(44)	(45)	1	(45)
Temporary Resource	(1)	(0)	(0)	(0)	(3)	(2)	(1)	(3)	(4)	(3)	(1)	(4)
Total Staff Costs	**(23)**	**(23)**	**(0)**	**(23)**	**(218)**	**(224)**	**6**	**(233)**	**(300)**	**(303)**	**4**	**(304)**
Agents Costs	(50)	(50)	(0)	(47)	(407)	(401)	(6)	(407)	(541)	(534)	(7)	(534)
Total People Costs	**(73)**	**(72)**	**(0)**	**(70)**	**(625)**	**(625)**	**0**	**(640)**	**(841)**	**(837)**	**(3)**	**(838)**
Conveyance, C&D Charges	0	(0)	0	(0)	(0)	(0)	0	(0)	(0)	(0)	0	(0)
Compensation	0	(0)	0	(0)	(1)	(0)	(0)	(1)	(1)	(1)	(1)	(1)
Property Facilities	(0)	(0)	0	(0)	(1)	(2)	1	(3)	2	(3)	4	(3)
Property Maintenance	(0)	(0)	0	(0)	(4)	(4)	0	(3)	(5)	(5)	(0)	(3)
Vehicles	(0)	(0)	(0)	(0)	(2)	(2)	(0)	(2)	(2)	(2)	(0)	(3)
Computers & Telephones	(8)	(9)	2	(9)	(83)	(86)	3	(80)	(111)	(115)	4	(100)
Consultancy, Marketing & Legal Fees	(5)	(3)	(1)	(2)	(33)	(26)	(7)	(34)	(44)	(32)	(12)	(31)
Staff & Agents Related Costs & Consumables	(4)	(5)	0	(3)	(21)	(24)	3	(24)	(33)	(34)	1	(26)
Finance	(4)	(1)	(2)	(3)	(21)	(13)	(8)	(27)	(19)	(19)	(0)	(30)
Other Bought in Services	(9)	(12)	3	(10)	(84)	(97)	13	(114)	(124)	(136)	11	(162)
Other Operating Costs	(1)	(4)	3	(0)	(13)	(31)	18	(5)	(24)	(41)	17	(13)
Exchange Rate Difference on Expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-People Costs	**(31)**	**(36)**	**5**	**(27)**	**(265)**	**(286)**	**21**	**(293)**	**(364)**	**(388)**	**24**	**(372)**
External Expenditure	**(104)**	**(108)**	**4**	**(97)**	**(890)**	**(911)**	**21**	**(933)**	**(1,204)**	**(1,225)**	**21**	**(1,210)**
Depreciation	0	(0)	0	0	(1)	(1)	(0)	(1)	(1)	(1)	(1)	(1)
Amortisation	0	0	0	0	0	0	0	0	0	0	0	0
Total Depreciation & Amortisation	**0**	**(0)**	**0**	**0**	**(1)**	**(1)**	**(0)**	**(1)**	**(1)**	**(1)**	**(1)**	**(1)**
IB Expenditure & ICC Incurred	(8)	(8)	0	(10)	(78)	(79)	1	(84)	(105)	(103)	(2)	(111)
Total Expenditure	**(112)**	**(117)**	**5**	**(107)**	**(968)**	**(990)**	**22**	**(1,018)**	**(1,311)**	**(1,329)**	**18**	**(1,322)**
Indirect Controllable Costs - Recovered	0	0	0	0	0	0	0	0	0	0	0	2
Share of Profit - JV/Associates	1	2	(0)	1	28	26	2	19	34	32	2	27
Operating Profit before Allocations	**1**	**(1)**	**2**	**(2)**	**2**	**(12)**	**13**	**(122)**	**1**	**(14)**	**15**	**(76)**
Overhead Allocation	(3)	(3)	(0)	(2)	(22)	(23)	1	(24)	(31)	(31)	(0)	(32)
Operating Profit after Allocations	**(2)**	**(4)**	**2**	**(5)**	**(21)**	**(35)**	**15**	**(146)**	**(30)**	**(44)**	**15**	**(108)**
Operating Exceptionals	(25)	(9)	(17)	(10)	(323)	(321)	(2)	(59)	(70)	(383)	313	(88)
Operating Exceptionals Allocation	0	0	0	0	(0)	0	(0)	0	(0)	0	(0)	0
Profit/(Loss) on Disposal of Fixed Assets	0	0	0	1	4	0	4	7	5	0	5	15
Profit Before Interest & Tax (PBIT)	**(27)**	**(13)**	**(15)**	**(14)**	**(340)**	**(356)**	**16**	**(198)**	**(95)**	**(428)**	**333**	**(182)**
Net External Interest	(0)	(2)	2	(1)	(7)	(14)	7	(16)	(11)	(21)	10	(22)
Net IB Interest	(1)	0	(1)	(1)	(9)	0	(9)	(8)	(12)	0	(12)	(11)
Pensions notional interest	1	1	0	1	7	6	0	10	9	9	0	14
Total Net Interest	**(1)**	**(1)**	**1**	**(1)**	**(9)**	**(8)**	**(1)**	**(14)**	**(14)**	**(12)**	**(2)**	**(18)**
Profit Before Tax (PBT) and ColleagueShare costs	**(28)**	**(14)**	**(14)**	**(15)**	**(349)**	**(364)**	**15**	**(212)**	**(109)**	**(440)**	**331**	**(200)**
ColleagueShare costs	0	0	0	0	(0)	(9)	9	(0)	(27)	(19)	(8)	0
Profit Before Tax (PBT)	**(28)**	**(14)**	**(14)**	**(15)**	**(349)**	**(373)**	**24**	**(212)**	**(136)**	**(458)**	**322**	**(200)**
Margin from Operations	**-3%**	**-5%**	**2%**	**-8%**	**-3%**	**-5%**	**2%**	**-24%**	**-3%**	**-5%**	**2%**	**-12%**
PBITDA Before Exceptionals	*(2)*	*(4)*	*2*	*(5)*	*(20)*	*(35)*	*15*	*(146)*	*(28)*	*(44)*	*15*	*(107)*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*(3)*	*(5)*	*2*	*(5)*	*(48)*	*(60)*	*13*	*(165)*	*(63)*	*(76)*	*13*	*(134)*

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Parcelforce Worldwide Profit/(Loss) Statement - December 2007

	Period 9 £m				Year to Date £m				Full Year £m			
	Actual	Budget	Var.	Prior Yr	Actual	Budget	Var.	Prior Yr	Forecast	Budget	Var.	Prior Yr
External Income	43	38	5	39	285	267	18	256	376	352	25	337
Exchange Rate Difference on Income	0	0	0	0	0	0	0	0	0	0	0	0
Total External Income	**43**	**38**	**5**	**39**	**285**	**267**	**18**	**256**	**376**	**352**	**25**	**337**
Inter Business Income	0	0	0	0	3	3	(0)	4	4	4	(0)	5
Total Income	**43**	**38**	**5**	**39**	**288**	**270**	**18**	**260**	**380**	**356**	**25**	**342**
Wages and Salaries	(7)	(6)	(1)	(7)	(63)	(61)	(2)	(60)	(86)	(83)	(3)	(79)
Overtime	(2)	(2)	(0)	(1)	(13)	(11)	(1)	(11)	(15)	(14)	(1)	(15)
Productivity / Bonus	(1)	(1)	(0)	(1)	(7)	(7)	(1)	(6)	(8)	(9)	1	(10)
Employers NI & Social Security	(1)	(1)	0	(1)	(6)	(6)	(0)	(6)	(9)	(8)	(1)	(8)
Pension (Charge)/Receipt	(2)	(1)	(0)	(1)	(12)	(11)	(1)	(11)	(16)	(15)	(0)	(15)
Temporary Resource	(2)	(2)	0	(2)	(9)	(9)	(0)	(7)	(11)	(10)	(1)	(10)
Total Staff Costs	**(14)**	**(12)**	**(2)**	**(13)**	**(110)**	**(105)**	**(6)**	**(101)**	**(145)**	**(140)**	**(5)**	**(136)**
Agents Costs	0	0	0	0	0	0	0	0	0	0	0	0
Total People Costs	**(14)**	**(12)**	**(2)**	**(13)**	**(110)**	**(105)**	**(6)**	**(101)**	**(145)**	**(140)**	**(5)**	**(136)**
Conveyance, C&D Charges	(9)	(7)	(2)	(7)	(54)	(47)	(7)	(45)	(72)	(62)	(11)	(59)
Compensation	(0)	(1)	1	(1)	(4)	(4)	(0)	(3)	(5)	(5)	(0)	(3)
Property Facilities	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Property Maintenance	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Vehicles	(1)	(1)	(0)	(1)	(4)	(4)	(1)	(3)	(6)	(4)	(1)	(4)
Computers & Telephones	(0)	(0)	0	(0)	(0)	(0)	0	(0)	(1)	(0)	(1)	(0)
Consultancy, Marketing & Legal Fees	(0)	(0)	(0)	(0)	(2)	(2)	0	(2)	(3)	(3)	(0)	(3)
Staff & Agents Related Costs & Consumables	(1)	(1)	(0)	(0)	(4)	(4)	0	(4)	(6)	(6)	(0)	(6)
Finance	(0)	(0)	(0)	(0)	(2)	(2)	1	(2)	(3)	(3)	0	(4)
Other Bought in Services	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)
Other Operating Costs	(0)	(0)	(0)	(0)	(3)	(3)	0	(3)	(4)	(4)	(0)	(3)
Exchange Rate Difference on Expenditure	0	1	(1)	0	0	2	(2)	0	0	3	(3)	0
Total Non-People Costs	**(12)**	**(9)**	**(3)**	**(10)**	**(73)**	**(64)**	**(9)**	**(62)**	**(100)**	**(83)**	**(16)**	**(83)**
External Expenditure	**(26)**	**(21)**	**(5)**	**(23)**	**(184)**	**(169)**	**(15)**	**(163)**	**(244)**	**(223)**	**(22)**	**(219)**
Depreciation	(0)	(0)	0	(0)	(1)	(1)	0	(0)	(1)	(1)	0	(0)
Amortisation	0	0	0	0	0	0	0	0	0	0	0	0
Total Depreciation & Amortisation	**(0)**	**(0)**	**0**	**(0)**	**(1)**	**(1)**	**0**	**(0)**	**(1)**	**(1)**	**0**	**(0)**
IB Expenditure & ICC Incurred	(11)	(11)	0	(11)	(87)	(87)	(0)	(83)	(117)	(116)	(1)	(109)
Total Expenditure	**(37)**	**(33)**	**(4)**	**(34)**	**(271)**	**(257)**	**(14)**	**(247)**	**(363)**	**(340)**	**(23)**	**(329)**
Indirect Controllable Costs - Recovered	0	0	0	0	0	0	0	0	0	0	0	0
Share of Profit - JV/Associates	0	0	0	0	0	0	0	0	0	0	0	0
Operating Profit before Allocations	**6**	**5**	**1**	**5**	**17**	**13**	**4**	**13**	**18**	**16**	**2**	**13**
Overhead Allocation	(1)	(1)	(0)	(1)	(7)	(8)	0	(8)	(10)	(10)	(0)	(6)
Operating Profit after Allocations	**5**	**4**	**1**	**5**	**10**	**5**	**4**	**6**	**7**	**6**	**1**	**7**
Operating Exceptionals	0	(0)	0	0	0	(1)	1	0	(2)	(2)	0	0
Operating Exceptionals Allocation	0	0	0	0	(0)	0	(0)	0	(0)	0	(0)	0
Profit/(Loss) on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Interest & Tax (PBIT)	**5**	**4**	**1**	**5**	**10**	**4**	**5**	**6**	**6**	**4**	**2**	**7**
Net External Interest	0	0	0	0	0	0	0	0	0	0	0	0
Net IB Interest	(0)	(0)	(0)	(0)	(1)	(1)	0	(1)	(2)	(2)	0	(2)
Pensions notional interest	1	1	0	1	6	6	0	9	8	8	0	12
Total Net Interest	**0**	**0**	**0**	**1**	**4**	**4**	**0**	**8**	**6**	**6**	**0**	**10**
Profit Before Tax (PBT) and ColleagueShare costs	**6**	**5**	**1**	**5**	**14**	**9**	**5**	**13**	**11**	**10**	**2**	**17**
ColleagueShare costs	0	0	0	(0)	0	(2)	2	(0)	(6)	(4)	(2)	(0)
Profit Before Tax (PBT)	**6**	**5**	**1**	**5**	**14**	**7**	**7**	**13**	**5**	**6**	**(1)**	**17**
Margin from Operations	**12%**	**12%**	**1%**	**12%**	**3%**	**2%**	**1%**	**2%**	**2%**	**2%**	**0%**	**2%**
PBITDA Before Exceptionals	*5*	*5*	*1*	*5*	*10*	*6*	*4*	*6*	*8*	*7*	*1*	*7*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*5*	*5*	*1*	*5*	*10*	*6*	*4*	*6*	*8*	*7*	*1*	*7*

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General Logistics Systems Profit/(Loss) Statement - December 2007

	Period 9 £m				Year to Date £m				Full Year £m			
	Actual	Budget	Var.	Prior Yr	Actual	Budget	Var.	Prior Yr	Forecast	Budget	Var.	Prior Yr
External Income	91	92	(0)	86	883	884	(1)	786	1,199	1,194	5	1,082
Exchange Rate Difference on Income	5	0	5	(1)	9	0	9	1	3	0	3	(0)
Total External Income	**96**	**92**	**5**	**85**	**891**	**884**	**8**	**787**	**1,203**	**1,194**	**8**	**1,082**
Inter Business Income	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	**96**	**92**	**5**	**85**	**891**	**884**	**8**	**787**	**1,203**	**1,194**	**8**	**1,082**
Wages and Salaries	(21)	(20)	(1)	(18)	(183)	(183)	0	(154)	(246)	(245)	(1)	(211)
Overtime	0	0	0	0	0	0	0	0	0	0	0	0
Productivity / Bonus	0	0	0	0	0	0	0	0	0	0	0	0
Employers NI & Social Security	0	0	0	0	0	0	0	0	0	0	0	0
Pension (Charge)/Receipt	0	0	0	0	0	0	0	0	0	0	0	0
Temporary Resource	0	0	0	0	0	0	0	0	0	0	0	0
Total Staff Costs	**(21)**	**(20)**	**(1)**	**(18)**	**(183)**	**(183)**	**0**	**(154)**	**(246)**	**(245)**	**(1)**	**(211)**
Agents Costs	0	0	0	0	0	0	0	0	0	0	0	0
Total People Costs	**(21)**	**(20)**	**(1)**	**(18)**	**(183)**	**(183)**	**0**	**(154)**	**(246)**	**(245)**	**(1)**	**(211)**
Conveyance, C&D Charges	(54)	(54)	0	(52)	(531)	(527)	(5)	(464)	(720)	(708)	(11)	(640)
Compensation	(1)	(0)	(0)	(0)	(5)	(4)	(0)	(4)	(4)	(6)	1	(6)
Property Facilities	(4)	(4)	(0)	(3)	(34)	(33)	(0)	(29)	(45)	(45)	0	(41)
Property Maintenance	0	0	0	0	0	0	0	0	0	0	0	0
Vehicles	(1)	(1)	(0)	(1)	(4)	(5)	0	(4)	(6)	(6)	0	(10)
Computers & Telephones	(1)	(1)	(0)	(1)	(9)	(9)	(0)	(9)	(12)	(12)	(0)	(12)
Consultancy, Marketing & Legal Fees	(1)	(1)	(0)	(1)	(9)	(10)	1	(10)	(12)	(13)	1	(12)
Staff & Agents Related Costs & Consumables	(0)	(0)	(0)	(0)	(4)	(4)	0	(3)	(5)	(5)	0	(4)
Finance	(1)	(0)	(1)	(0)	(4)	(3)	(1)	(3)	(4)	(4)	(0)	(3)
Other Bought in Services	0	0	0	0	0	0	0	0	0	0	0	0
Other Operating Costs	0	(1)	1	(0)	(4)	(6)	2	(3)	(9)	(7)	(1)	(1)
Exchange Rate Difference on Expenditure	(5)	0	(5)	1	(8)	0	(8)	(1)	(3)	0	(3)	0
Total Non-People Costs	**(67)**	**(63)**	**(5)**	**(60)**	**(611)**	**(601)**	**(11)**	**(530)**	**(820)**	**(807)**	**(14)**	**(730)**
External Expenditure	**(88)**	**(83)**	**(5)**	**(77)**	**(794)**	**(783)**	**(11)**	**(684)**	**(1,066)**	**(1,052)**	**(14)**	**(941)**
Depreciation	(2)	(2)	0	(2)	(15)	(16)	2	(14)	(20)	(22)	2	(19)
Amortisation	(0)	(1)	0	(1)	(6)	(5)	(0)	(5)	(8)	(7)	(1)	(7)
Total Depreciation & Amortisation	**(2)**	**(2)**	**0**	**(2)**	**(21)**	**(22)**	**1**	**(19)**	**(28)**	**(29)**	**1**	**(26)**
IB Expenditure & ICC Incurred	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditure	**(91)**	**(86)**	**(5)**	**(79)**	**(815)**	**(805)**	**(10)**	**(703)**	**(1,094)**	**(1,081)**	**(13)**	**(967)**
Indirect Controllable Costs - Recovered	0	0	0	0	0	0	0	0	0	0	0	0
Share of Profit - JV/Associates	0	0	(0)	0	0	0	(0)	0	0	0	(0)	0
Operating Profit before Allocations	**6**	**6**	**(1)**	**5**	**77**	**79**	**(2)**	**84**	**109**	**114**	**(5)**	**115**
Overhead Allocation	0	0	0	0	0	0	0	0	0	0	0	0
Operating Profit after Allocations	**6**	**6**	**(1)**	**5**	**77**	**79**	**(2)**	**84**	**109**	**114**	**(5)**	**115**
Operating Exceptionals	0	0	0	0	0	0	0	0	0	0	0	0
Operating Exceptionals Allocation	0	0	0	0	0	0	0	0	0	0	0	0
Profit/(Loss) on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Interest & Tax (PBIT)	**6**	**6**	**(1)**	**5**	**77**	**79**	**(2)**	**84**	**109**	**114**	**(5)**	**115**
Net External Interest	0	0	0	(0)	2	0	1	1	2	0	2	0
Net IB Interest	(0)	0	(0)	(0)	(0)	0	(0)	(1)	(0)	0	(0)	(1)
Pensions notional interest	0	0	0	0	0	0	0	0	0	0	0	0
Total Net Interest	**0**	**0**	**0**	**(0)**	**1**	**0**	**1**	**(1)**	**2**	**0**	**1**	**(1)**
Profit Before Tax (PBT) and ColleagueShare costs	**6**	**6**	**(0)**	**5**	**78**	**79**	**(1)**	**83**	**110**	**114**	**(4)**	**114**
ColleagueShare costs	0	0	0	0	0	0	0	0	0	0	0	0
Profit Before Tax (PBT)	**6**	**6**	**(0)**	**5**	**78**	**79**	**(1)**	**83**	**110**	**114**	**(4)**	**114**
Margin from Operations	**6%**	**7%**	**(1%)**	**6%**	**9%**	**9%**	**(0%)**	**11%**	**9%**	**10%**	**(0%)**	**11%**
PBITDA Before Exceptionals	*8*	*9*	*(1)*	*8*	*98*	*101*	*(3)*	*103*	*137*	*143*	*(6)*	*141*
PBITDA Before Exceptionals and JVs/Assoc (per cashflow)	*8*	*8*	*(1)*	*8*	*98*	*100*	*(3)*	*103*	*137*	*142*	*(6)*	*141*