

Royal Mail Holdings plc

**Preliminary Statement (Unaudited)
for the year ended 30 March 2008**

Royal Mail Holdings plc

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Royal Mail Holdings plc

Summary financial results

Royal Mail Holdings plc announces its results for the year ended 30 March 2008.

	Unaudited 2008 £m	2007 £m
Revenue	9,388	9,179
Operating profit before exceptional items	162	233
Operating loss	(279)	(10)

Refer to the income statement for an explanation of the differences between the operating profit/(loss) above and also to note 3 for an analysis of exceptional items.

Highlights

- Group external revenue of £9,388million, up 2.3%
- Group operating profit before exceptionals of £162million, down 30.4%
- Royal Mail Letters recorded a loss of £3million due to a sharp decline in mail volumes, the continuing impact of full competition and increased levels of investment
- The Universal Service made an estimated loss - for the first time - of around £100million with the overall price controlled area of Royal Mail's business making a loss of around £200million
- GLS and Parcelforce Worldwide saw a significant rise in revenues, with profits remaining constant due to increased, volume-driven costs and competitive pressures
- Post Office Limited recorded an overall loss of £34million, this was an improvement due to the full year impact of the Social Network Payment
- Landmark agreements on pay, pensions and modernisation
- Cash contribution by the Company to Pension Plan of more than £800million

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Review of the year

It has been a year of tough challenges and achievements involving a groundbreaking agreement with our people allowing the modernisation of Royal Mail to proceed and changes to the Pension Plan put in place. The Group made an operating profit before exceptionals of £162million, which, while down a third on the previous year, was ahead of expectations and was against the backdrop of a 3.2% year on year decline in the overall UK mails market volumes and an increase in the proportion of mail carried by rival operators. Daunting challenges remain but the Group is now implementing plans to modernise the Letters business and ensure the Post Office branch network has a sustainable future. Royal Mail's quality of service had been at or above target levels in the first quarter of 2007-08 but fell as a result of industrial action last summer and autumn. Despite the effects of industrial action, the large majority of mail was back to being delivered at above target levels by the year end.

Key elements of the year were:

- Landmark agreements with our people on pay, pensions and modernisation, enabling Royal Mail to launch the second phase of modernisation of the Letters operations - through automation - using the investment provided by the Shareholder in the form of commercial loans agreed in March 2007.
- Reform of the Pension Plan to help the Company continue meeting the huge cash cost - of over £800million in the year - of both ongoing and deficit contributions, while providing the best pension benefits Royal Mail can afford for its people.
- The launch of new products and services for customers including Tracked™ which allows the movement of parcels and packets through the Royal Mail network to be tracked, and Online Business Account, which enables business customers to handle their accounts electronically instead of by dockets. More new services are planned as the Company strengthens further its focus on customer service.
- The first steps in the roll-out of new technology and equipment in delivery offices and mail centres - making the job better for our people, improving the business's efficiency and, above all, providing the foundation and capability for new products and services for customers.
- The launch of more new services and products by the Post Office to bring in new revenue and customers and help support the branch network.
- Strong revenue growth by Parcelforce Worldwide and GLS, the Group's UK and European parcels businesses, both of which operate in highly competitive markets. GLS is now by far the biggest contributor to Group profit.

Financial Performance

The biggest change in performance across the Group was the move from profitability to loss by the Royal Mail Letters business which made a £3million operating loss on its £6.8billion revenue - down on the previous year despite the annual price increase in April 2007. The fall in mail volumes, continued downtrading by Royal Mail customers to lower priced products, and the increasing impact of competition, resulted in Group operating profit falling by almost a third from £233million to £162million. If the impact of the Social Network Payment (which supports loss-making Post Office branches) is taken out of the picture, Group operating profit in 2007-08 was less than half the comparable figure in the previous year. The huge cost of servicing the Pension Plan continues to bear heavily on the Company and has again had a huge impact on the operating profit.

Business unit performance	External revenue		Operating profit/(loss)*	
	2008# £m	2007 £m	2008# £m	2007 £m
Royal Mail	6,830	6,857	(3)	136
General Logistics Systems	1,232	1,082	114	115
Parcelforce Worldwide	379	337	8	7
Post Office Limited	911	868	(34)	(108)
Other businesses	36	35	77	83
Group	9,388	9,179	162	233

* Operating profit/(loss) is before exceptional items. For 2006-07 the results by business unit have been restated for the impact of the new subsidiary Royal Mail Estates Limited - there is no impact at Group level.

Unaudited

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Review of the year (continued)

- Group revenue rose by just over £200million, largely driven by increased sales by GLS and Parcelforce Worldwide but also because the 2007-08 accounts include the full £150million Social Network Payment to support loss-making Post Office branches while in 2006-07, only half of this payment, £75million, was included as revenue.
- Revenue in Royal Mail Letters fell by £27million. The overall mail market declined again and volumes handled by Royal Mail fell 3.2% - more than the 2.3% volume fall in the Letters business the previous year. The average daily mail bag now contains 80 million letters; it was 83 million in 2006-07 so Royal Mail is handling on average three million fewer letters a day.
- Royal Mail regulated prices rose in April 2007 by around 5% on average. However, there was continued downtrading in 2007-08 by customers, for example, from First Class to Second, or from premium business mail services to less expensive ones. This trend, together with volume falls, meant that overall revenue in the Letters business declined for the second year running.
- The Universal Service made an estimated loss - for the first time - of around £100million with the overall price controlled area of the business making an estimated loss of around £200million.
- Post Office Limited's revenue increased but when the additional impact in 2007-08 of the Social Network Payment is removed, the underlying trend was downwards. There was less income overall from traditional business but this was partly offset by growth in sales of new products and services.
- GLS grew its revenues through higher parcel volumes, with particularly strong growth in Eastern Europe, as well as from the acquisition of ABX Belgium. There was also a beneficial impact in the accounts from the strengthening of the euro against Sterling. Profit fell by £1million, however, but this was again a strong performance by GLS as it operated in a difficult and highly competitive market and had to make significant network changes to deal with recently changed road speed laws in France.
- Parcelforce Worldwide grew its revenue in a market where competitive pressures got even tougher, and also increased its profit and maintained its operating margin. Quality of service improved further to 96.5% for the year - an impressive performance in a crowded marketplace.

Pension Fund Reform

A series of changes to the Pension Plan began to take effect on 1 April 2008 after intensive talks with the unions and other employee representatives that began a year earlier, and a formal consultation with every pension scheme member. The length of time taken over talks and consultation reflected the Company's determination to listen carefully to the representations it received and as a result a number of significant amendments were made to the original proposals first tabled in the early summer of 2007. The changes to the fund were agreed by the Pension Trustee in March 2008. They encompass:

- The Plan closed to new members from 31 March 2008.
- All pensions and benefits earned before 1 April 2008 are still linked to final salary at the time of retirement.
- From 1 April 2008, defined benefits building up for employee members of the Plan are earned on a Career Salary basis.
- A new defined contribution plan will be launched in April 2009.
- New recruits joining the Company from 31 March 2008 will be able to begin paying contributions to the new plan after they have worked for the Company for a year.
- Employees can continue to take their pension on reaching 60 but the normal retirement age will increase to 65 for benefits earned from 1 April 2010.
- From 1 April 2010 it will be possible to draw pension earned before the change to normal retirement age at 60, and continue working while still contributing into the Pension Plan until the maximum level of benefits has been reached.

The action taken to reform the Pension Plan, together with the establishment of a £1billion escrow account for the sole benefit of the Plan, if needed, has enabled the Group to have an achievable funding programme based on the last actuarial valuation of the deficit of £3.4billion in March 2006. However our estimates indicate that the actuarial deficit has since increased significantly due to market changes, further underlining how pensions remain a significant and volatile risk to the Group. The continuing heavy cash calls on the Company - more than £800million in 2007-08 - to service the Plan and pay the deficit - demonstrates again how crucial it is for the Company to succeed in modernising the Letters business and provide a sustainable future for the Post Office network. The Pension Plan deficit fell in accounting terms from £5.0billion to £2.9billion.

Royal Mail Holdings plc

Review of the year (continued)

Royal Mail – modernisation underway

The landmark agreement on pay, pensions and modernisation reached with the CWU in the autumn of 2007 has opened the door for the roll-out of a far-reaching modernisation plan for Royal Mail on which its future hangs. The technology we are now deploying is tried and tested so we know it can be effective. The task facing everyone in the Letters business is to make it work for Royal Mail and, crucially, our customers.

The work underway includes:

- The deployment of the first of a new range of sorting equipment to deal with “flats”, the A4 sized magazine, catalogues and brochures which make up around one in six items of the typical daily mail bag.
- Successful trials for hand-held keypads that allow postmen and women to record customers’ confirmation of the delivery of packets, and other mail such as Special Delivery – a huge improvement on the traditional paper-based method.
- Contracts have been placed for a wide array of sorting equipment, including upgrades for existing Integrated Mail Processors (IMPs), and replacements for existing automated mail sorters. By March 2008 the codemark printers that print machine-readable instructions on mail to speed its sortation had all been replaced. In addition, to date, 21 IMPs have been upgraded.
- We have ordered 400 walk-sequencing machines the first of which will be delivered to the network this summer under a deployment programme that will last around two years. Trials have been successful, both operationally and from the perspective of delivery postmen and women who have been pleased at the machines’ capability in sorting mail down to the route they follow on a round, vastly reducing the need to sort the mail manually.

The new technology will, we are confident, improve efficiency and cut costs. But we are very clear that one of the greatest benefits of modernisation is the foundation it provides from which to launch new products and services for customers, so meeting their needs and expectations, and improving Royal Mail’s competitive edge in a market where competition is rapidly increasing. We will be launching further new products and services this current year with the aim both of providing customers with innovative solutions while at the same time making it easier for them to do business with Royal Mail.

Our strategy for the Letters business is to implement programmes that will provide a more efficient operation, improve Royal Mail’s ability to compete and, crucially, have products and services that both satisfy and excite customers large and small. We are aiming at delivering a hitherto unseen degree of flexibility and responsiveness by Royal Mail.

Post Office Limited – creating a sustainable network

Among the most difficult challenges of the year has been the implementation of the Government’s decision to close up to 2,500 Post Office branches. The closure of any branch is always difficult as every outlet is appreciated by its customers, and subpostmasters are rightly regarded as key members of the communities they serve.

The Network Change programme, therefore, which is reducing the size of the branch network in line with the funding provided from the Shareholder, is a major challenge for the business. We are seeking to implement the programme as sensitively as possible, and create the most accessible network within the customer access criteria determined by the Government. There have been more than 75,000 responses to the programme by the end of March 2008, around the halfway mark, and the high level of feedback from customers shows the attachment communities feel to their local branches, despite the fact that some four million fewer people have been visiting a Post Office branch each week compared to three years ago.

That reduction has been spurred by a further decline in traditional products and services on offer in our branches or, in the case of the TV Licence, the ending of the service altogether. Card Account transactions went down in 2007-08 and more motorists renewed their car tax online rather than at a Post Office counter.

However, declines in traditional revenue were partly offset by income from new services we have introduced with new products launched in 2007-08. We are now:

- Selling one in 50 of all car insurance policies in the UK;
- Issuing one in every 40 new credit cards in the UK;
- Insuring one in every 200 homes in the UK; and
- Handling savings from almost half a million savers.

The business’s stretching goal remains – to create a network that has long-term sustainability. We are investing in our Crown office network to improve their attractiveness to customers, and have agreed a new remuneration package for subpostmasters, giving them greater rewards for achieving product sales; we are cutting our overheads and reducing back office costs for the computer system that links the network, and we will continue to develop new products and services.

Royal Mail Holdings plc

Review of the year (continued)

Many achievements – but many challenges remain

The Group began its journey of transformation in 2002 when change on the scale we have already achieved was regarded by many as unthinkable and unachievable. At that time, we were failing quality of service targets repeatedly, the Company was losing more than £1million a day and without change, our chances of succeeding in a changing and opening market were non-existent.

We've demonstrated we can deliver consistent, target-beating quality of service; the Group is profitable and has the funding in place to modernise; strategies are underway to achieve a transformation of the Letters business and to create a sustainable Post Office network; and we have a determination to succeed, spurred on by the hurdles we have already overcome.

Daunting challenges remain:

- Our tender for the new contract for the Card Account handling benefit and pension payments for many of the most vulnerable people in society from April 2010 is currently being considered in competition with other bids and it is vital for the future health of the Post Office network that we succeed in winning the work.
- Modernising Royal Mail to make it much more efficient while providing flexible and responsive products and services to our customers is a challenge in its own right but to meet it in a market where mail volumes are now falling and with heavy cash calls on the business from its pension fund will be very stretching indeed.
- Online shopping has provided opportunities across our business but it has also created more competition at the delivery end, affecting not just the Royal Mail Letters business but Parcelforce Worldwide and GLS.
- The costs of funding the new technology that is now being rolled out to the Letters business will increasingly be felt, as the Shareholder's financing package comprises loans at commercial rates that do, of course, have to be repaid from our earnings.

We are contributing to the independent review of the impact to date of competition on the UK postal service. The key issue will be the preservation of the one-price-goes-anywhere Universal Service which, in 2007-08 is estimated to have lost around £100million – the first time there has been a loss in this vital bedrock of the postal service which is a powerful benefit to the UK economy and every user of the postal service. The question begging an answer is how to preserve and nurture the Universal Service when the only business with a commitment to delivering it – Royal Mail Letters – is now loss-making. The Letters business has traditionally relied on profit from business mail – the only part of the market to face competition from other operators – to underpin the Universal Service, which is used by social customers to send personal letters, birthday cards and Christmas greetings, by businesses, large and small, and Government, both local and central. We are very clear that the answer, in part at least, has got to involve regulation reduced to a minimum so that Royal Mail has the freedom to compete fully in both the postal and wider communications market – while having the right amount of protection for social customers and small and medium sized businesses (SMEs) who are finding that other mail carriers have no interest in competing for their letters and cards, when stamped mail loses on average 6p a letter.

Our overall vision through this review is to achieve a high quality, efficient and profitable Universal Service with a Price Control focused on our social customers and SMEs and forming the backbone of an innovative fully competitive business mail market – provided by an efficient, transformed, integrated and lightly regulated Royal Mail competing with a variety of rivals, both wholesale and end-to-end. Central to achieving this vision is the need to continue to take and execute the often difficult decisions that will turn Royal Mail Group into a world class postal services company.

Royal Mail Group

All references to operating profit/(loss) are before exceptional items.

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Group income statement for the 53 weeks ended 30 March 2008 and 52 weeks ended 25 March 2007

	Notes	Unaudited 2008 £m	2007 £m
Continuing operations			
Turnover		9,238	9,104
Social Network Payment		150	75
Revenue		9,388	9,179
People costs excluding ColleagueShare and restructuring costs		(6,209)	(6,145)
Royal Mail Group people:			
Wages and salaries		(4,550)	(4,511)
Pensions		(701)	(722)
Social security		(319)	(320)
Subpostmasters		(550)	(534)
Temporary resource		(89)	(58)
Distribution and conveyance operating costs		(1,341)	(1,237)
Other operating costs		(1,723)	(1,603)
Share of post tax profit from joint ventures and associates		47	39
Operating profit before exceptional items		162	233
Operating exceptional items	3	(441)	(243)
Government grant income		313	-
ColleagueShare costs		(277)	-
Other restructuring costs		(477)	(243)
Operating loss		(279)	(10)
Profit on disposal of property group		-	74
Profit on disposal of property, plant and equipment		58	44
(Loss)/profit before financing and taxation		(221)	108
Finance costs		(71)	(56)
Finance income		84	62
Net pensions interest		131	199
(Loss)/profit before taxation		(77)	313
Taxation credit/(charge)	4	212	(27)
Profit for the financial year from continuing operations		135	286
Profit attributable to:			
Equity holder of the parent company		135	286
Minority interest		-	-

Royal Mail Holdings plc

Group statement of recognised income and expense for the 53 weeks ended 30 March 2008 and 52 weeks ended 25 March 2007

	Unaudited 2008 £m	2007 £m
Translation differences on foreign currency net investments	63	(2)
Actuarial gains on defined benefit schemes	1,798	340
Gains/(losses) on cash flow hedges deferred into equity	36	(9)
(Gains)/losses on cash flow hedges released from equity to income	(3)	4
Gains on cash flow hedges released from equity to the carrying amount of non-financial assets	(1)	-
Taxation on items taken directly to equity	(18)	27
Gains on financial assets deferred into equity	13	-
Net income recognised directly in equity	1,888	360
Profit for the financial year from continuing operations	135	286
Total recognised income for the period	2,023	646
Attributable to:		
Equity holder of the parent company	2,023	646
Minority interest	-	-

Royal Mail Holdings plc

Group balance sheet as at 30 March 2008 and 25 March 2007

	Unaudited 2008 £m	2007 £m
Non-current assets		
Property, plant and equipment	1,671	1,619
Goodwill	173	143
Intangible assets	67	64
Investments in joint ventures and associates	136	114
Financial assets – pension escrow investments	1,070	1,000
– derivatives	8	–
Other receivables	1	4
Deferred tax assets	608	403
	3,734	3,347
Non-current assets held for sale	1	7
Current assets		
Inventories	33	26
Trade and other receivables	1,114	1,031
Financial assets – investments	21	17
– derivatives	24	–
Cash and cash equivalents	1,427	1,196
	2,619	2,270
Total assets	6,354	5,624
Current liabilities		
Trade and other payables	(2,354)	(1,924)
Financial liabilities – interest bearing loans and borrowings	(289)	(301)
– obligations under finance lease and hire purchase contracts	(10)	–
– derivatives	(3)	(7)
Income tax payable	(15)	(29)
Provisions	(248)	(69)
	(2,919)	(2,330)
Non-current liabilities		
Financial liabilities – interest bearing loans and borrowings	(502)	(502)
– obligations under finance lease and hire purchase contracts	(43)	(1)
Provisions	(163)	(42)
Retirement benefit obligation – pension deficit	(2,923)	(4,985)
Other payables	(40)	(25)
Deferred tax liabilities	(5)	(3)
	(3,676)	(5,558)
Total liabilities	(6,595)	(7,888)
Net liabilities	(241)	(2,264)
Equity		
Share capital	–	–
Share premium	430	430
Retained earnings	(863)	(2,775)
Reserves	189	78
Equity attributable to equity holder of parent company	(244)	(2,267)
Minority interest	3	3
Total equity	(241)	(2,264)

Royal Mail Holdings plc

Group cash flow statement for the 53 weeks ended 30 March 2008 and 52 weeks ended 25 March 2007

	Unaudited 2008 £m	2007 £m
Cash flow from operating activities		
Operating profit before exceptional items	162	233
Add back:		
Depreciation and amortisation	236	198
Share of post tax profit from joint ventures and associates	(47)	(39)
	351	392
Working capital and other non-cash movements:	7	7
(Increase)/decrease in inventories	(7)	1
(Increase)/decrease in receivables	(52)	42
Increase/(decrease) in payables	86	(49)
Decrease in client debtors	-	17
Increase in client creditors	123	55
Net decrease in retirement benefit obligation	(133)	(64)
Net increase in derivative (assets)/liabilities	(4)	2
(Decrease)/increase in non-exceptional provisions	(6)	4
Other movements	-	(1)
Receipt of Government grant	313	-
Cash payments in respect of operating exceptional items:	(188)	(282)
Share in Success	-	(90)
Other	(188)	(192)
Cash inflow from operations	483	117
Income tax (paid)/recovered	(33)	13
Net cash inflow from operating activities	450	130
Cash flows from investing activities		
Dividends received from joint ventures and associates	36	39
Finance income received	82	67
Proceeds from sale of property group	-	71
Proceeds from sale of property, plant and equipment	71	65
Purchase of property, plant and equipment	(263)	(244)
Investment in associate	(10)	-
Acquisition of businesses, net of cash acquired	(5)	(17)
Purchase of intangible assets	(67)	(65)
Payment of deferred consideration in respect of prior years' acquisitions	-	(3)
Net purchase of financial assets investments (non-current)	(57)	(995)
Net movement in financial assets investments (current)	(4)	677
Net cash outflow from investing activities	(217)	(405)
Net cash inflow/(outflow) before financing activities	233	(275)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	430
Finance costs paid	(57)	(55)
Payment of capital element of obligations under finance lease contracts	(3)	(1)
Cash received on sale and leasebacks	55	-
New loans	2	-
Repayment of borrowings	(21)	(63)
Dividend paid to minority interest	-	(1)
Net cash (outflow)/inflow from financing activities	(24)	310
Net increase in cash and cash equivalents	209	35
Effect of exchange rates on cash and cash equivalents	15	-
Cash and cash equivalents at the beginning of the period	1,196	1,161
Cash and cash equivalents at the end of the period	1,420	1,196

The £1,420m cash and cash equivalents balance is net of a £7m overdrawn bank balance relating to the General Logistics Systems (GLS) subsidiary. This £7m is included in the Financial liabilities - interest bearing loans and borrowings balance of £289m in the balance sheet.

Royal Mail Holdings plc

Notes to the Preliminary Statement

1. Accounting policies

Basis of preparation and accounting

The Group comprises Royal Mail Holdings plc (the Company) – which is wholly owned by HM Government – and its subsidiaries. The Company is incorporated in the United Kingdom under the Companies Act 1985 (the Act) and the accounts are produced in accordance with the Act and applicable International Financial Reporting Standards (IFRSs). The financial information for the 53 weeks ended 30 March 2008 has been prepared on the basis of the accounting policies set out in the full annual accounts of the Group for the 52 weeks ended 25 March 2007.

The Preliminary Statement is presented in sterling and all values are rounded to the nearest £m except where otherwise indicated.

The financial information contained in this document does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors have issued an unqualified opinion on the Group's statutory financial statements for the year ended 25 March 2007, which have been delivered to the registrar of Companies.

The financial information for the year ended 30 March 2008 has been extracted from the Group's unaudited financial statements which will be delivered to the Registrar of companies in due course. Accordingly, the Auditors' Report on the Group's full financial statements has yet to be signed.

The Social Network Payment is Government grant revenue recognised to match the related costs of providing the network of public post offices that the Secretary of State for Business, Enterprise and Regulatory Reform considers appropriate and which would otherwise not be provided.

ColleagueShare plan

ColleagueShare is the name for the Group's phantom share plan. The plan, introduced in 2007-08, is a five-year plan spanning the accounting years from April 2007 to March 2012 and comprises both a phantom share scheme and a related stakeholder dividend worth up to £5,300 per person throughout the life of the plan. The ColleagueShares represent up to a total of 20% of the estimated value of the Company. Additionally Royal Mail plans to pay a stakeholder dividend dependent on the achievement of certain targets.

The costs of the plan are being charged to the income statement as an exceptional item throughout the life of the plan. Any long-term liabilities arising in relation to the plan will be discounted at an appropriate high quality corporate bond rate. These discounts will be unwound through the income statement during the life of the plan. The Group will repurchase all ColleagueShares by 2012.

2. Segment information

The Group's primary reporting format is by business segments and its secondary format is by geographical segments. The business segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a business unit that offers different products and serves largely different markets. The five business segments are:

Royal Mail: Delivers letters to all addresses in the United Kingdom. Royal Mail offers a number of products to both business and domestic users.

Parcelforce Worldwide: The parcels business unit operating within the UK.

Post Office Limited: A limited company responsible for the network of Post Office® branches offering a series of retail services.

General Logistics Systems: The European parcels business which, via its subsidiaries and partners, offers its services in 36 European states.

Other businesses: Includes PostCap Guernsey Limited and Ired Redefining Document Management Ltd, both wholly owned subsidiaries, Romec Limited, and NDC 2000 Limited, both part owned subsidiaries, investments in the following associates – Quadrant Catering Limited, Camelot Group plc and Camelot International Services Limited, and our Group Property unit. The Group Property unit includes Royal Mail Estates Limited, a wholly owned subsidiary.

Transfer prices between business segments are set on a basis of charges reached through negotiation with the respective businesses.

The two geographical segments are UK operations and European operations. The latter consists of the GLS business segment. The former includes the other four business segments plus Corporate, representing central shared services for the UK and the corporate centre. Corporate is not a revenue or profit centre but incurs certain costs on behalf of the business segments, which are passed on, and manages certain assets and liabilities of the Group.

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2. Segment information (continued)

Analysis of segment revenue and segment result by class of business and geographic area

53 weeks to 30 March 2008 (Unaudited) Segment revenue:	UK operations					European operations	
	Royal Mail	Parcelforce Worldwide	Post Office Limited	Other businesses	Total	General Logistics Systems	Total
	£m	£m	£m	£m	£m	£m	£m
External revenue	6,830	379	911	36	8,156	1,232	9,388
Revenue between segments	106	4	358	246	714	-	714
Segment revenue	6,936	383	1,269	282	8,870	1,232	10,102
Segment result:							
Operating (loss)/profit before exceptional items	(3)	8	(34)	77	48	114	162
Less share of post tax profits from joint ventures and associates	(1)	-	(36)	(10)	(47)	-	(47)
Operating exceptional items - Government grant	-	-	313	-	313	-	313
- other	(353)	(17)	(382)	(2)	(754)	-	(754)
Profit on disposal of property, plant and equipment	-	-	5	53	58	-	58
Segment result	(357)	(9)	(134)	118	(382)	114	(268)
Share of post tax profits from joint ventures and associates	1	-	36	10	47	-	47
Segment result after share of post tax profits from joint ventures and associates	(356)	(9)	(98)	128	(335)	114	(221)

Not included in segment result after share of post tax profits from joint ventures and associates is net pensions interest of £131m (2007 £199m), finance income of £84m (2007 £62m), finance costs of £71m (2007 £56m) and a taxation credit of £212m (2007 £27m charge), which when added reconciles to the 'profit for the financial year from continuing operations' in the income statement of £135m (2007 £286m).

52 weeks to 25 March 2007 Segment revenue:	UK operations (restated)					European operations	
	Royal Mail	Parcelforce Worldwide	Post Office Limited	Other businesses	Total	General Logistics Systems	Total
	£m	£m	£m	£m	£m	£m	£m
External revenue	6,857	337	868	35	8,097	1,082	9,179
Revenue between segments (restated)	106	5	348	237	696	-	696
Segment revenue	6,963	342	1,216	272	8,793	1,082	9,875
Segment result:							
Operating profit/(loss) before exceptional items	136	7	(108)	83	118	115	233
Less share of post tax profits from joint ventures and associates	-	-	(27)	(12)	(39)	-	(39)
Operating exceptional items	(154)	(1)	(88)	-	(243)	-	(243)
Profit on disposal of business	-	-	-	74	74	-	74
Profit on disposal of property, plant and equipment	-	-	15	29	44	-	44
Segment result	(18)	6	(208)	174	(46)	115	69
Share of post tax profits from joint ventures and associates	-	-	27	12	39	-	39
Segment result after share of post tax profits from joint ventures and associates	(18)	6	(181)	186	(7)	115	108

Royal Mail Holdings plc

2. Segment information (continued)

The above analysis of revenue between segments for 2006-07 has been restated to include the impact of the operations of Royal Mail Estates Limited (RMEsL), £94m and Romec Limited, £143m, within the 'Other businesses' segment. These amounts were previously classified as internal recharges and hence did not form part of revenue between segments.

Operating profit before exceptional items for all UK operations has also been restated as if RMEsL had been operating in 2006-07 in the way it has operated in 2007-08. The effect of this change has been to reduce the operating profit before exceptional items of Royal Mail by £58m and Parcelforce Worldwide by £3m and to increase the operating loss before exceptional items of Post Office Limited by £9m. Consequently, the operating profit before exceptional items of the Other businesses segment has increased by £70m. There has been no overall change to the Total Segment result as a result of this restatement.

3. Operating exceptional items

	Unaudited 2008		2007	
	£m	£m	£m	£m
Government grant income		313		-
ColleagueShare costs - phantom share scheme	(116)		-	
- stakeholder dividend	(161)		-	
		(277)		-
Other restructuring costs:				
Provision for restructuring	(363)		(179)	
Other exceptional write-offs	(17)		-	
Impairment of property, plant and equipment	(40)		(15)	
Impairment of intangible assets	(57)		(39)	
Impairment relating to associates	-		(10)	
		(477)		(243)
Total operating exceptional items		(441)		(243)

The £313m (2007 £nil) relates to a Government grant received by the Group under the Industrial Development Act (IDA) 1982. This amount was used during the year to compensate Post Office Limited for providing certain specified "services of general economic interest".

The £116m (2007 £nil) phantom share scheme costs and £161m (2007 £nil) stakeholder dividend costs are the estimated costs relating to the first year of the Company ColleagueShare plan. The stakeholder dividend will be paid to qualifying employees in 2008-09 whilst the costs of the phantom share scheme are discounted and will be repurchased by the Group by 2012.

The £363m restructuring charge is in respect of employee related redundancy costs of £165m (2007 £180m) resulting mainly from operational efficiency initiatives in Royal Mail and organisational design review in Post Office Limited, £141m (2007 £nil) Subpostmasters' compensation paid through the Agency Network Change (ANC) programme, £43m (2007 £nil) exceptional charge for project fees for the WH Smith and the ANC programmes, £10m (2007 £1m release) exceptional property charges and £4m other Group exceptional charges (2007 £nil).

Of the above impairments, £91m (2007 £50m) relates to Post Office Limited comprising £40m (2007 £15m) property, plant and equipment and £51m (2007 £35m) intangible assets. The remaining £6m relates to Parcelforce Worldwide intangible assets. Due to ongoing losses, the carrying values of asset purchases made by Post Office Limited during the year have been impaired to recoverable amount. There was no impairment relating to associates in the current year. The prior year relates to the impairment of G3 Worldwide Mail N.V. (Spring) (2007 £10m).

Other exceptional write-offs of £17m (2007 £nil) include £9m in Post Office Limited relating to professional fees for the new Government funding agreement and £8m for other restructuring exceptional items charged in the current year.

4. Taxation

The tax credit of £212m (2007 charge of £27m) includes overseas current tax charge of £29m (2007 £31m), overseas deferred taxation charge of £10m (2007 £10m), a UK current tax credit of £25m (2007 £45m charge) and a UK deferred tax credit of £226m (2007 £59m credit).

A tax charge of £18m has been taken direct to equity (2007 £27m credit).

The large tax credit for the year results mainly from receipt of a non-taxable Government grant and increased recognition of deferred tax assets.