

# Royal Mail Group plc



Royal Mail Group plc consists of the trusted brands of Royal Mail, Post Office®, and Parcelforce Worldwide, which provide distribution services in the UK and internationally.

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Royal Mail Group plc reaches everyone in the UK through its mails, Post Office® and parcels businesses - which employ over 196,000 people. Every working day Royal Mail collects, processes and delivers around 84 million items to 27 million addresses; each week we serve 28 million customers through our network of over 14,500 Post Office® branches and each year our domestic and European parcels businesses - General Logistics Systems (GLS) and Parcelforce Worldwide - deliver some 285 million parcels.

This year saw the completion of the three-year Renewal Plan, which provides a platform to face up to competition in our mails business, continues to transform Post Office Ltd and our domestic and European parcels businesses, provides an improved commercial return to our Shareholder and allows us to continue to invest in our people, our infrastructure and our service quality.

Royal Mail Group plc is wholly owned by the Government. The Postal Services Act 2000 created a commercially focused company and a more strategic relationship with Government. The Act also established a new regulatory regime with an independent regulator, Postcomm, and the consumer body, Postwatch.

Postmen and women delivered a record £537 million profit for the company in 2004-05, a fantastic turn around from losses of over £1 million a day just a few years ago. This triggered an across the board payment of £1,074 to all employees, one of the biggest profit sharing payouts in UK corporate history.

GLS made a £61 million profit on operations - up 144% on the previous year. Meanwhile, Parcelforce Worldwide started making a profit on its day-to-day operations during the second half of the year of £3 million - its first period of profitable operation in more than a decade.

Post Office Ltd, however, continues to face some of the biggest challenges in the Group. The Post Office branch network saw its losses increase slightly to £110 million in 2004-05. Some 8,000 branches are classified as 'rural' and the majority do not cover their costs requiring an injection of £3 million a week to survive.

In addition, the branches directly managed by the Post Office, around 540 in total, lost £71 million and need to be placed on a firmer footing. The future of the network rests on its ability to sell its growing range of products and services.

Royal Mail letters business needs an investment of some £2 billion in modern sorting machinery if it is to compete successfully in a liberalised postal market. We also need to generate sufficient profit to tackle the pension fund deficit of £2.5 billion.

The task now facing Royal Mail Group plc is to succeed as a commercial business and to become the postal operator of choice for customers in an open competitive market.



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