

P&L Explanatory notes from Royal Mail – January 2012

The most significant cost movements were in the following areas -

Direct Costs

- increase reflects costs associated with investment in new PAF production supply process
- additional costs from the development of the Compliance Centre application
- significant employee charges as a consequence of the VR exercise

Customer Service Charge

- lower costs as a result of reduced call volumes and efficiencies in handling queries – better utilisation of Doxford team

Service Delivery & Data supply

- the overall reduction in costs reflects a slight increase in validation costs due to an increase in the number of delivery points to be validated, offset by reduced Census activity

Systems

- these costs remain fixed from prior year. It did not prove possible to establish fully any cost movement and rather than simply add an element for RPI and pay increases the decision was made to hold costs at the prior year level