HIGGS INTERNATIONAL LIMITED

Registered Number: 561496

Annual Report and Financial Statements

For the Year Ended

31 December 2017

Directors

M P Young
D J Starkey
V I Cameron

Company Secretary

Jane Li

Registered Office
Ocean House
The Ring
Bracknell
Berkshire
RG12 1AN

Strategic Report For the year ended 31 December 2017

The directors present their Strategic Report on the Company for the year ended 31 December 2017

Business review and future developments

The principal activity of the Company is that of a freight forwarding agency for UK newspapers and magazines, across Europe and the rest of the world. Added to this is an export administration service which has maintained a reasonable profitability over recent years. The Company is now pursuing additional revenue streams with more general freight which will soon be reflected in the results.

The result of the Company show revenue has decreased at £11,342k (2016: £14,824k). Profit before income tax of £94k (2016: £338k) shows a decrease of £244k. Management were pleased to maintain a reasonable performance during a difficult trading and transitional period with the operating profit of the business, before other income of £94k (2016: £336k), showing a decrease of £242k.
Despite the publishing sector contracting physical volumes remained broadly in line with prior year as new business was acquired to offset any reductions to existing business.

The Company has net current assets of £8,871k (2016: £8,714k), an increase of £157k (2016: an increase of £360k) on the previous year.

The external commercial environment is expected to remain competitive in 2018. Revenue will continue to be under pressure, with the competitive nature of the market squeezing margins. Growth in areas other than the magazine business should enable the Company to maintain a healthy level of performance in the future in line with group expectations.

Financial risk management

The Company has trade receivables and payables in a number of foreign currencies, the most significant of which are the Euro and US Dollar. The risk of adverse movements in the exchange rates of these major currencies is minimised by maintaining in house bank accounts with its parent company, in the appropriate currencies.

The Company has a strong positive cash flow and maintains sufficient cash balances to finance its operations.

The Company's major suppliers are the international airlines. As Deutsche Post AG, the company's ultimate parent undertaking, has a leading position in the industry, this places the Company in a favourable position in their negotiations with these companies.

The Company has implemented policies that require appropriate credit checks on potential customers.

Creditor payment policy

It is the Company's practice that payments to suppliers are generally made in accordance with terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2017, the amount for trade payables on the statement of financial position represented 59 days (2016: 49 days) of the purchases for the Company.

Business risk and key performance indicators

Given the straightforward nature of the business, the Directors consider that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The consideration of financial risk management can be found on page 3 within the Directors' Report.

Jane Li
Company Secretary
24 September 2018

Directors' Report For the year ended 31 December 2017

The Directors present their annual report and the audited financial statements of Higgs International Limited (Registered Number 561496) for the year ended 31 December 2017. A review of the business including future developments and principal risks and uncertainties are not shown in the Directors' report as this information is included within the strategic report under s414C (11) of the Companies Act 2006.

Results and dividends

Profit for the financial year ending 31 December 2017 is £93k (2016: £334k). The Directors do not recommend the payment of a dividend (2016: £ nil).

Please refer to the Strategic Report for consideration of future developments.

Financial risk management

The Company has trade debtors and creditors in a number of foreign currencies, the most significant of which are the Euro and US Dollar. The risk of adverse movements in the exchange rates of these major currencies is minimised by maintaining in house bank accounts with its parent company, in the appropriate currencies.

The Company has a strong positive cash flow and maintains sufficient cash balances to finance its operations.

The Company's major suppliers are the international airlines. As Deutsche Post AG, the company's ultimate parent undertaking, has a leading position in the industry, this places the Company in a favourable position in their negotiations with these companies.

The Company has implemented policies that require appropriate credit checks on potential customers.

Employees:

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Directors' indemnities

The Company maintains liability insurance for its Directors and officers. The Company also provided an indemnity for its Directors and the secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. Both of these were in force throughout the financial year and have been maintained up to the date of signing of these financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) each Director has taken all the steps that one ought to have taken as a Director in order to make oneself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are given below:
D J Starkey
V I Cameron
M P Young (appointed 17/03/2017)

Independent Auditors

The auditors, Mazars LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board

Jane Li
Company Secretary
24th September 2018

Independent auditor's report to the members of Higgs International Limited

Opinion

We have audited the financial statements of Higgs International Limited (the 'company') for the year ended 31 December 2017 which comprise which comprise the Income Statement and Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;

• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

• have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

• The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the budget, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard. Whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

J. Seaman

Jonathan Seaman (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 27 September 2018

Income statement

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue	4	**11,342**	14,824
Cost of sales		**(7,495)**	(9,921)
Gross profit		**3,847**	4,903
Distribution costs		**(3,058)**	(3,507)
Administrative Expenses		**(695)**	(1,060)
Operating profit	5	**94**	336
Other			
Finance income	8	**6**	10
Finance costs	8	**(6)**	(8)
Profit before income tax		**94**	338
Income tax expense	9	**(1)**	(4)
Profit for the financial year		**93**	334

All amounts relate to continuing operations

Statement of comprehensive income

For the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the financial year	**93**	334
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**93**	334

All results derive from continuing operations.

Statement of financial position

As at 31 December 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	10	**2**	25
Property, plant and equipment	11	**91**	132
Investments	12	**2**	2
Total non-current assets		**95**	159
Current assets			
Trade and other receivables	13	**12,603**	13,939
Cash and cash equivalents		**42**	13
Total current assets		**12,645**	13,952
Total assets		**12,740**	14,111
Equity and liabilities			
Ordinary shares	16	**20**	20
Retained earnings		**8,946**	8,853
Shareholders' Funds - Equity		**8,966**	8,873
Liabilities			
Current liabilities			
Trade and other payables	14	**3,774**	5,238
Total current liabilities		**3,774**	5,238
Total equity and liabilities		**12,740**	14,111

The financial statements on pages 7 to 26 were approved by the Board on 26th September 2018 and signed on its behalf.

V I Cameron

V I Cameron
Director

Statement of changes in equity

For the year ended 31 December 2017

	Note	Ordinary shares £000	Retained earnings £000	Total £000
Balance as at 1 January 2016		20	8,519	8,539
Profit/(loss) for the year			334	334
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	334	334
Dividends		-	-	-
Total transactions with owners directly recognised in equity		-	-	-
Balance as at 31 December 2016		20	8,853	8,873
Profit/(loss) for the year			93	93
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	93	93
Dividends		-	-	-
Balance as at 31 December 2017		20	8,946	8,966

Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

Notes to the Financial Statements

For the year ended 31 December 2017

1 General information

Higgs International Limited ("the Company") is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Ocean House, The Ring, Bracknell, Berkshire, RG12 1AN. The registered number of the Company is 561496.

The principal activity of the Company is that of a freight forwarding agency for UK newspapers and magazines, across Europe and the rest of the world. Added to this is an export administration service which has provided growth in both newspapers and magazines.

2 Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company has also early adopted the amendments to FRS 102 (issued in July 2015).

3 Summary of significant accounting policies

The principal accounting policies adopted by the Company are set out below and are consistent with those of the previous year.

(a) Basis of preparation

These financial statements have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of this note.

(b) Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Deutsche Post AG which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(c) **Exemptions for qualifying entities under FRS 102 (continued)**

iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102;and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

(d) **Consolidated financial statements**

The Company is a wholly owned subsidiary of Deutsche Post AG and is included in the consolidated financial statements of that company, which are publicly available. It has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

These financial statements are the Company's separate financial statements.

(e) **Foreign currency**

i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling (£).

ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(f) **Revenue**

Revenue represents the amounts (net of VAT and similar taxes, trade discounts and intra group transactions) derived from the provision of services to customers in respect of the Company's principal activity of transportation services and logistics management during the year. Revenue is recognised upon performance of delivery of goods and services provided. Airline transport revenue is recognised when confirmation is received that the flight has taken off. Ocean transport revenue is recognised on sail date. The sale of media on behalf of publishers is not recognised as revenue and only the agreed fee element is included, except where title to the media is passed to the Company.

(g) **Employee benefits**

The Company provides a range of benefits to employees, including paid holiday arrangements, defined benefit and defined contribution pension plans.

i) Short term benefits

Short term benefits, including pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(g) **Employee benefits (continued)**

ii) Multi-employer pension plan

The Deutsche Post World Net Group maintains both defined contribution and defined benefit UK pension schemes for the funding of retirement benefits for scheme members during their working lives in order to pay benefits to them after retirement and to their dependants after their death. The cost of providing these benefits is assessed by external professional Actuaries. The defined benefit schemes are mature and some historical data is not available, therefore the employer is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis. Accordingly under Section 28 of FRS 102 the schemes are treated as if they were defined contribution schemes in the financial statements of the Company. The amount charged to the income statement in respect of pension costs is the contributions payable in the year. The difference between contributions payable in the year and contributions actually paid is shown as an accrual or prepayment in the statement of financial position. The Company does not maintain any other post-retirement benefits.

(h) **Taxation**

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that resulted in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

The Company has entered into an agreement regarding UK corporation tax payments and refunds with Exel Ltd, a fellow group undertaking. Under the terms of this agreement, Exel Ltd has undertaken to discharge the current and future UK corporation tax liabilities on behalf of, and benefit from any tax recoverable due to, the Company. The Company recognises its UK corporation tax and deferred tax liabilities but as such liabilities are indemnified by Exel Ltd, an indemnification asset for the amount due from Exel Ltd is also recognised in the statement of financial position until the amount is settled on the Company's behalf. The net tax charge on the profit or loss on ordinary activities that has been indemnified by Exel Ltd is netted against the indemnification amount due from Exel Ltd in the income statement.

As a result of the above agreement with Exel Limited, the Company will not benefit from the reversal of deferred tax asset and consequently these are not recognised in the financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(i) **Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of 5 years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(j) **Property, plant and equipment**

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation and less permanent reductions in value. Cost includes interest on the funding of major assets until the asset is complete.

Depreciation of property, plant and equipment to their estimated residual values is charged evenly over their estimated useful economic lives at the following rates:

Short leasehold improvements	Over the life of the lease
Plant and equipment	2 to 20 years

Assets that are not expected to be held for the whole of their useful economic lives are written down to estimated residual values at disposal.

Repairs, maintenance and minor inspection costs are expensed as incurred.

The carrying values of property, plant and equipment are reviewed for impairment, by the Directors, if circumstances indicate that they may not be recoverable.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in income statement.

(k) **Operating leases**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leased assets

Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(l) **Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

(m) **Investments**

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment value, as reviewed by the Directors and Secretary on a regular basis.

(n) **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(o) **Financial instruments**

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method where applicable.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(o) **Financial instruments (continued)**

i) Financial assets (continued)

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company does not hold or issue derivatives financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(p) **Critical accounting judgements and key source of uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting Policies (continued)

(q) **Critical accounting judgments and key source of uncertainty (continued)**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- *Useful economic lives of property, plant and equipment and intangible assets*

The annual depreciation and amortisation charge for property, plant and equipment and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 11 and 12 for the carrying amount of the property, plant and equipment and intangible assets, and accounting policy for the useful economic lives for each class of assets.

(r) **Future amendments to FRS 102**

There are no impacts of amendments on the current period, prior period, or future periods after the implementation of FRS 102

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2017

4 Revenue

Revenue relates to the Company's principal activity of freight forwarding, which the Directors consider constitutes a single class of business. The geographical origin of revenue was the United Kingdom.

Analysis of revenue by category:

	2017	2016
	£000	£000
Sale of goods	678	746
Services	10,664	14,078
	11,342	14,824

5 Operating profit

The following amounts have been charged in arriving at the operating profit:

	Note	2017	2016
		£000	£000
Operating profit is stated after charging			
Staff costs			
Wages and salaries		1,550	1,778
Social security costs		112	123
Other pension costs		95	100
Depreciation			
Owned assets		45	47
Amortisation of intangible assets		23	56
Operating lease rentals	17	365	365
Services provided by the company's auditor			
Fees payable for the audit		15	13

Other Income

There was no other income for 2017. (2016: Nil)

6 Directors' remuneration

	2017	2016
	£000	£000
Aggregate remuneration	116	117

	2017	2016
	Number	Number
Directors for whom retirement benefits are accruing:		
Defined benefit schemes	1	1

The remuneration above related to the remuneration paid to one of the Directors (2016: one). The remaining Directors are employees of other related group undertakings and have not received remuneration in their capacity as a director of Higgs International Limited.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

7 Employees

The average number of persons employed during the year on a monthly basis was as follows:

	2017 Number	2016 Number
Sales	**2**	2
Administrative	**5**	5
Other	**35**	36
	42	43

8 Net finance income / (costs)

	2017 £000	2016 £000
Interest receivable from group undertakings	**6**	10
Interest payable to group undertakings	**(6)**	(8)
Net finance income	**-**	2

9 Income tax expense

A fellow group undertaking, Exel Ltd, has undertaken to discharge the Company's liability to UK corporation tax. The Company has also agreed that Exel Ltd will benefit from any tax recoverable. The indemnification asset arising under this agreement, if any, is disclosed in other receivables.

	2017 £000	2016 £000
Current tax		
Foreign tax	**1**	4
Total current tax	**1**	4
Deferred tax		
Origination and reversal of timing differences	**3**	(1)
Impact of changes in tax rates	**-**	3
Adjustments in respect of prior years	**-**	(1)
Movement on UK deferred tax not recognised	**(3)**	(1)
Total deferred tax	**0**	0
Total tax per income statement	**1**	4

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

9 **Income tax expense** (continued)

Reconciliation of tax charge
The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016:20%). The differences are explained below

	2017 £000	2016 £000
Profit on ordinary activities before taxation	**94**	338
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**18**	68
Effects of:		
Expenses not allowed for UK tax	**1**	1
Effects of overseas tax rates	**1**	4
Impact of changes in tax rates	**-**	3
Group relief claimed from other group companies	**(16)**	(70)
Adjustments in respect of prior years	**-**	(1)
Movement on UK deferred tax not recognised	**(3)**	(1)
Total tax per income statement	**1**	4

Tax rate changes
The main rate of corporation tax reduced from 20% to 19% on 1 April 2017. Finance Bill 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020. Therefore any deferred tax asset and liabilities reflect these rates.

Deferred Tax

A summary of the Company's deferred tax asset is as follows:

	2017	2016
	Unrecognised £'000	Unrecognised £'000
Accelerated capital allowances	**52**	54
Other timing differences	**6**	7
Net deferred tax asset	**58**	61

Deferred tax is calculated at rates between 17% and 19% (2016: between 17% and 19%).

The Company had a net deferred tax asset at 31 December 2017 of £58,000 (2016: £61,000) which has not been recognised in the financial statements because of the uncertainty that any future economic benefit arising from the timing differences will accrue to the company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

10 Intangible assets

	Software £000
Cost	
At 1 January 2017	298
Additions	-
At 31 December 2017	**298**
Accumulated amortisation	
At 1 January 2017	273
Charge for the year	23
At 31 December 2017	**296**
Net book value	
At 31 December 2017	**2**
At 31 December 2016	25

11 Property, plant and equipment

	Land & Buildings £000	Plant & Machinery £000	**Total £000**
Cost			
At 1 January 2017	366	555	**921**
Additions	-	4	**4**
At 31 December 2017	**366**	**559**	**925**
Accumulated depreciation			
At 1 January 2017	366	423	**789**
Charge for the year	-	45	**45**
At 31 December 2017	**366**	**468**	**834**
Net book amount			
At 31 December 2017	**-**	**91**	**91**
At 31 December 2016	-	132	132

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

12 Investments

	Shares in group undertakings £000
Cost	
At 1 January 2017	2
At 31 December 2017	**2**
Provisions	
At 1 January 2017	-
At 31 December 2017	**-**
Net book amount	
At 31 December 2017	**2**
At 31 December 2016	2

The following companies are subsidiary undertakings and, unless otherwise stated, 100% of the ordinary share capital is owned either directly or indirectly by the Company, they are incorporated in Great Britain, operate in their country of incorporation, and have a 31 December year end:

Company	**Nature of business**
Higgs Air Espana SA *(incorporated in Spain)*	Dormant

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the aggregate amount included in the statement of financial position.

13 Trade and other receivables

	2017	2016
	£000	£000
Trade receivables	**1,493**	1,667
Amounts owed by group undertakings	**10,968**	12,042
Other trade receivables	**14**	88
Prepayments and accrued income	**128**	142
	12,603	13,939

Included within the amounts owed by group undertakings is £10,968k (2016:£12,032k). This is unsecured with a variable interest rate, depending on currencies held. For 2017 the rates varied as follows (GBP 0.00% - 0.16%), (EUR 0.70% - 0.70%). The amounts are repayable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

14 Trade and other payables

	2017	2016
	£000	£000
Trade payables	1,210	1,320
Other payables	1,545	2,850
Amounts owed to group undertakings	88	1
Accruals and deferred income	931	1,067
	3,774	5,238

All amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Pension Commitments

The Company operates a defined benefit scheme split into the "Global Forwarding Section" and "AEI Section", named the DHL Group Retirement Plan providing benefits based on final pensionable pay.
The scheme is now closed to new members. The assets of the schemes are held separately from those of the Company and invested in managed funds with investment companies, administered by the Trustees.
The assets and liabilities are held in separate identifiable sections of the DHL Group Retirement Plan with separate sections maintained for other DHL Pension funds, namely:
The Exel Retirement Plan
The Ocean Nestor Pension Scheme
The Tibbett & Britten Pension Scheme
The DHL (NHS) Supply Chain Pension Scheme
The DHL (UK) Pension Scheme
The DHL (UK) Pension and Death Benefits Scheme
The DHL UK Executive Pension Scheme
The principal employer of the DHL Group Retirement Plan is Deutsche Post AG.
The Group also operates a defined contribution section for employees who joined DHL Global Forwarding (UK) Limited after 1 January 2003. The assets of the scheme are held separately from those of the Company and are independently administered. The premiums are charged to the income statement as they accrue.

Higgs International Limited sits within the DHL Global Forwarding UK Ltd organisation.

Defined benefit schemes

Actuarial valuations of the Global Forwarding Section and AEI Section using projected unit basis, were carried out at 31 December 2017 by Willis Towers Watson, independent consulting actuaries. The major assumptions used by the actuary at 31 December were:

Global Forwarding and AEI sections	2017	2016
	%	%
Discount Rate	2.5	2.8
Retail Price Inflation	3.3	3.3
Consumer Price Inflation	2.3	2.3
Main Pension Increases for in-payment benefits		

Notes to the Financial Statements (continued)

15. Pension commitments (continued)

LPI 5%	3.0	3.0
LPI 2.5%	2.0	2.0
Pension increases for deferred benefits	2.3	2.0

The Global Forwarding and AEI Sections of the DHL Group Retirement Plan is a funded defined benefit plan which closed to future accrual on 31 March 2014.

The mortality assumptions used were as follows:

	2017	2016
	Years	Years
Longevity at age 65 for current pensioners:		
- Men	20.7	20.9
- Women	22.7	23.0
Longevity at age 65 for future pensioners:		
- Men	23.2	23.9
- Women	25.3	26.1

Reconciliation of present value of scheme liabilities

	2017
	£'000
At 1 January	**(163,800)**
Interest cost	**(4,500)**
Actuarial loss	**(6,800)**
Benefits paid	**5,500**
DBO at 31 December	**(169,600)**

Reconciliation of present value of scheme assets

	2017
	£'000
Fair value of assets at 1 January	**144,100**
Interest income	**4,000**

Return on Plan assets less than discount rate	**8,300**

Notes to the Financial Statements (continued)

15. Pension commitments (continued)

Employer contributions	**23,400**
Benefits paid	**(5,500)**
Administrative expenses paid	**(300)**
Fair value of assets at 31 December	**174,000**

Scheme assets do not include any of DHL Global Forwarding (UK) Limited's own financial instruments, or any property occupied by DHL Global Forwarding (UK) Limited.
The actual return on scheme assets in the year was a gain of £12,300,000 (2016: gain £22,350,000).

Analysis of the amount charged to income statement is as follows:

	2017	2016
	£'000	£'000
Operating profit		
Current service cost	-	-
Administration costs	**500**	350
Total cost	**500**	350
Other finance expense		
Net Interest on net defined benefit liability	**300**	300
Net finance expense	**300**	300
Total charge to income statement	**800**	650

The current service cost is included within administrative expenses.

Actuarial gains and losses

The amount of actuarial gain recognised in the statement of comprehensive income is £1,500,000 (2016: loss £13,650,000).

Actuarial valuation

The plan carries out triennial funding valuations to ascertain the contribution requirements for funding any deficits. The most recent comprehensive actuarial valuation was carried out by Trustees of the Plan as at 31 March 2015.

Defined contribution scheme

The pension cost for the year ended 31 December 2017 was £94,600.00 (2016: £100,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

16 Ordinary shares

	2017	2016
	£000	£000
Authorised		
20,010 (2016: 20,010) ordinary shares of £ 1 each	**20**	20
Allotted, issued and fully paid		
20,010 (2016: 20,010) ordinary shares of £ 1 each	**20**	20

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Financial commitments

Operating Lease

Whilst the lease in respect of the Purfleet building is in the name of the parent company, DHL Global Forwarding (UK) Limited, the cost of the lease is borne by Higgs International Limited. Therefore there is no lease commitment for the company.

18 Related party transactions

The Company has taken advantage of the exemptions allowed under paragraph 33.1A of FRS 102 "Related Party Disclosures" and has not disclosed transactions with other group companies as 100% of the company's voting rights are controlled within the group.

The Company made a contribution of £94,600 (2016: £100,000) to group pension plans.

19 Immediate and ultimate parent undertakings

The Company's immediate parent undertaking is DHL Global Forwarding (UK) Limited. The Company's ultimate parent undertaking is Deutsche Post AG, a company incorporated Germany. This is the only group of which the Company is a member for which group financial statements are prepared. Copies of the financial statements of Deutsche Post AG can be obtained from Deutsche Post AG, Headquarters, Investor Relations, 53250 Bonn, Germany.