

BUSINESS POST LTD

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

for the year ended 31 March 2000

Company number 965783



DIRECTORS AND ADVISERS

DIRECTORS

P Kane
M Kane
C G Buswell
P Fitzwilliam
D A Ross

SECRETARY

P Fitzwilliam

REGISTERED OFFICE

Express House
464 Berkshire Avenue
Slough
SL1 4PL

AUDITORS

Arthur Andersen
20 Old Bailey
London
EC4M 7AN

BANKERS

The Royal Bank of Scotland plc
London City Office
62/63 Threadneedle Street
LONDON
EC2R 8LA

DIRECTORS' REPORT
for the year ended 31 March 2000

FINANCIAL STATEMENTS

The Board of directors have pleasure in presenting their report and financial statements for the year ended 31 March 2000.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 maintaining proper accounting records which 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 1985. 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.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of national and international parcel and express mail collection and delivery services.

REVIEW OF BUSINESS

In the year to 31 March 2000, turnover increased ahead of the industry growth rate and the Company further improved its share of the UK express delivery market. The continued shift away from priority services, significant investment in IT and our network and cost pressures greater than price rises have resulted in profit before tax being lower at £16.6 million. The year's profit of £16.6 million compares with £18.5 million (before deducting exceptional costs of £0.8 million) in the previous year. The construction of a purpose-built hub at Leicester was commenced during the year. The Franchised depots at Edinburgh, Cambridge, Brighton and Redhill were converted to regional hubs during the year.

FUTURE DEVELOPMENTS

Despite the continuing competitive nature of the parcels market the expansion of the Company's services is anticipated.

RESULTS AND DIVIDEND

The results for the year are shown in the profit and loss account on page 4. The directors recommend the payment of a final dividend of £11,600,000 (1999: £12,224,000).

DIRECTORS' REPORT
for the year ended 31 March 2000

DIRECTORS

The directors who have held office during the year are:

N Brabbins	(resigned 30 November 2000)
A W Odling	(resigned 27 September 1999)
M Kane	
P Kane	
C G Buswell	
P D C Fitzwilliam	
D A Ross	

On 2 January 2001, Russell Hodgson and, on 27 February 2001, Paul Carvell were appointed as directors of the company.

None of the directors had any interest in the Company's share capital during the year. All those directors as at 31 March 2000 are also directors of the ultimate parent company and details of their interests in its share capital are disclosed in the financial statements of Business Post Group plc.

PAYMENT OF CREDITORS

Approximately 50% of trade creditors at the end of each month comprise amounts due to franchisees and sub-contractors. They are paid in the middle of the month following that in which they undertake the work. There is no particular policy which the Company adopts in respect of the payment of other trade creditors. At 31 March 2000, the average number of days for payment of all trade creditors was 35 (1999: 29).

CHARITABLE DONATIONS

During the year the company made charitable donations of £32,000 (1999: £31,414).

EMPLOYMENT POLICY

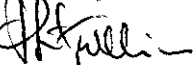
The Company is committed to involving all employees in the development and performance of the company. Regular meetings are held with employees to provide them with information concerning their employment.

The Company has a policy of giving disabled persons consideration for employment for which they offer themselves as suitable applicants, having regard to their individual abilities.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Arthur Andersen be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 13 September 2001.



P. Fitzwilliam
Director

To the Shareholders of Business Post Limited

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6 to 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
20 Old Bailey
London
EC4M 7AN

13 September 2001

BUSINESS POST LTD

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2000

	Notes	2000	1999
		£'000	£'000
Turnover		114,056	107,388
Cost of sales		<u>84,821</u>	<u>77,099</u>
Gross profit		29,235	30,289
Administrative expenses		<u>13,063</u>	<u>13,049</u>
Operating profit	2	16,172	17,240
Interest receivable and similar income	6	<u>389</u>	<u>529</u>
Profit on ordinary activities before taxation		16,561	17,769
Taxation	7	<u>4,961</u>	<u>5,545</u>
Profit for the financial year		11,600	12,224
Dividend	8	<u>11,600</u>	<u>12,224</u>
Retained profit for the year transferred to reserves	15	<u>-</u>	<u>-</u>

The profit for the financial year is derived from continuing activities and includes all recognised gains and losses for the year.

The notes on pages 6 to 12 form part of these financial statements.

BUSINESS POST LTD

**BALANCE SHEET
as at 31 March 2000**

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	9	29,433	28,011
		<u>29,433</u>	<u>28,011</u>
CURRENT ASSETS			
Debtors	10	26,037	21,917
Cash		-	459
		<u>26,037</u>	<u>22,376</u>
CREDITORS: amounts falling due within one year	11	<u>51,555</u>	<u>46,600</u>
Net current liabilities		<u>(25,518)</u>	<u>(24,224)</u>
Total assets less current liabilities		3,915	3,787
Provision for liabilities and charges	12	<u>(1,414)</u>	<u>(1,286)</u>
Net assets		<u>2,501</u>	<u>2,501</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	<u>2,500</u>	<u>2,500</u>
Equity shareholders' funds		<u>2,501</u>	<u>2,501</u>

The financial statements on pages 4 to 12 were approved by the Board on 13 September 2001.



P Fitzwilliam
Director

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts receivable for services provided and the sale of franchise delivery areas in the UK and Eire net of value added tax.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability will not crystallise.

Foreign exchange

Transactions in foreign currencies are recorded in sterling at the rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. All exchange differences are charged to profit and loss account as they arise.

Depreciation

Depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over the following useful economic lives:

Freehold buildings	- fifty years on a straight line basis
Leasehold premises	- the period of the lease on a straight line basis
Short leasehold improvements	- the period of the lease on a straight line basis
Motor vehicles	- 15% to 33.3% annually on a reducing balance basis
Plant and equipment	- 25% annually on a reducing balance basis
Computer equipment	- 20% to 33% annually on a straight line basis

Full provision is made against the cost of short leasehold improvements when relocation is proposed in the following year.

Leasing commitments

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease except for non-operational properties, where full provision is made for future rental costs, less any rental income, up to the first break in the lease. Provision is also made for the cost of making good delapidations where required under the lease.

The benefits of rent free periods are spread evenly over the period of the lease up to the date of the next rent review.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES *continued***Pension costs**

Contributions to the Company sponsored employees' personal pension plans and defined contribution schemes are charged to the profit and loss account in the year in which they accrue.

Cash flow statement

A cash flow statement has not been prepared as the Company is a wholly owned subsidiary of a company which publishes consolidated financial statements including a consolidated cash flow statement.

Going concern

The holding company, Business Post Group plc, has confirmed that it will provide adequate support to the company to enable it to meet its liabilities as they fall due.

2 OPERATING PROFIT	2000	1999
is stated after charging/(crediting):	£'000	£'000
Depreciation	2,876	2,738
(Profit)/loss on disposal of tangible fixed assets	(47)	16
Operating lease rentals		
- plant and machinery	3,408	3,028
- other operating leases	1,048	1,120
Operating lease rentals receivable	(759)	(864)
Foreign exchange losses	100	-
Exceptional items		
- management reorganisation costs	-	414
- property related provisions under FRS12	-	345
Auditors' remuneration	34	62

3 DIRECTORS' REMUNERATION

Directors' emoluments (including benefits in kind)	572	733
Aggregate pension contributions for money purchase schemes in respect of 6 directors (1999: 11)	38	48

The emoluments of the highest paid director were as follows :

	132	98
Salary and taxable benefits	-	33
Bonus payments	132	131
	-	8
Pension contributions	132	139

NOTES TO THE FINANCIAL STATEMENTS

	2000 £'000	1999 £'000
4 STAFF COSTS		
Wages and salaries	18,394	16,869
Social security costs	1,648	1,661
Other pension costs	239	364
	<u>20,281</u>	<u>18,894</u>
5 STAFF NUMBERS		
The average number of persons (including directors) employed by the Company during the year was as follows :		
Administration	Number 115	Number 119
Operational	<u>1,199</u>	<u>1,102</u>
	<u>1,314</u>	<u>1,221</u>
6 INTEREST RECEIVABLE AND SIMILAR INCOME	£'000	£'000
Bank and loan interest	<u>389</u>	<u>529</u>
7 TAXATION		
The charge for taxation is based on the profit for the year and comprises:		
UK Corporation tax payable at 30% (1999: 31%)	4,827	5,552
Transfer to/(from) deferred taxation (see note 12)	<u>134</u>	<u>(7)</u>
	<u>4,961</u>	<u>5,545</u>
8 DIVIDEND		
Proposed £11,600 per share (1999 : £12,224 per share)	<u>11,600</u>	<u>12,224</u>

NOTES TO THE FINANCIAL STATEMENTS

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold premises £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost					
1 April 1999	20,421	309	6,613	9,338	36,681
Additions	815	6	948	2,715	4,484
Disposals	-	-	(699)	(4)	(703)
31 March 2000	21,236	315	6,862	12,049	40,462
Depreciation					
1 April 1999	763	160	2,979	4,768	8,670
Charge for the year	279	19	1,011	1,567	2,876
Disposals	-	-	(515)	(2)	(517)
31 March 2000	1,042	179	3,475	6,333	11,029
Net book value					
31 March 2000	20,194	136	3,387	5,716	29,433
31 March 1999	19,658	149	3,634	4,570	28,011

Included in freehold land and buildings is freehold land with a cost of £7,702,453 (1999: £7,049,453). Included in short leasehold premises are short leasehold improvements at a cost of £260,838 (1999: £256,088) and net book value of £138,833 (1999: £140,997). Included in motor vehicles are assets which are hired to franchisees under operating leases with a cost of £1,899,574 (1999: £2,595,871) and accumulated depreciation of £1,111,013 (1999: £1,275,954).

NOTES TO THE FINANCIAL STATEMENTS

10 DEBTORS	2000 £'000	1999 £'000
Trade debtors	23,790	20,745
Amount due from associated undertaking	248	-
Other debtors	968	289
Prepayments and accrued income	1,031	865
Corporation tax recoverable	-	18
	26,037	21,917

Included in other debtors are amounts recoverable after more than one year of £152,960 (1999: £176,920).

11 CREDITORS: amounts falling due within one year

Trade creditors	8,181	6,141
Amount owed to parent undertaking	25,595	18,835
Corporation tax	3,189	5,552
Other taxes and social security	1,521	2,316
Other creditors	184	267
Accruals and deferred income	1,285	1,265
Proposed dividend	11,600	12,224
	51,555	46,600

NOTES TO THE FINANCIAL STATEMENTS

12 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Management Reorganisation costs £'000	Property leases £'000	Total £'000
1 April 1999	709	232	345	1,286
Charged to Profit and Loss Account				
Accelerated capital allowances	127	-	-	127
Management reorganisation provision	-	-	(6)	(6)
Property obligations	7	-	-	7
Expended in the year	-	-	-	-
31 March 2000	843	232	339	1,414

The management re-organisation costs provision relates to claims made by a former director. This matter has now been settled. The provision for property leases relates to dilapidations obligations and rental commitments on non-operational properties under leases expiring between 1 and 10 years.

	2000 £'000	1999 £'000
1 April 1999	709	716
Profit and loss account in respect of:		
Accelerated capital allowances	127	140
Other timing differences	7	(147)
	843	709
Deferred Taxation potential and provided in respect of:		
Accelerated capital allowances	983	856
Other timing differences	(140)	(147)
	843	709

13 PENSION COSTS

The Company sponsors employees' personal pension plans. Contributions were made by the Company at two per cent or four per cent of the eligible employees' salary in the year ended 31 March 2000.

With the exception of P Kane and M Kane, the Company also makes a contribution of ten per cent of each director's basic salary into a defined contribution pension scheme.

14 CALLED UP SHARE CAPITAL

Authorised, allotted and called up
1,000 ordinary shares of £1 each

<u>1</u>	<u>1</u>
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15 PROFIT AND LOSS ACCOUNT

1 April 1999 and 31 March 2000	<u>2,500</u>	<u>2,500</u>
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NOTES TO THE FINANCIAL STATEMENTS

	2000 £'000	1999 £'000
16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Opening shareholders' funds	2,501	2,501
Profit for the financial year	<u>11,600</u>	<u>12,224</u>
	14,101	14,725
Dividend	<u>(11,600)</u>	<u>(12,224)</u>
Closing shareholders' funds	<u>2,501</u>	<u>2,501</u>

17 FINANCIAL COMMITMENTS
(1) Operating leases

At 31 March 2000 the Company had the following annual commitments in respect of non-cancellable operating leases:

	Land and buildings 2000 £'000	Other 2000 £'000	Land and buildings 1999 £'000	Other 1999 £'000
Expiring				
- within one year	25	406	66	188
- within two to five years	126	2,704	90	2,540
- after five years	908	-	894	-
	<u>1,059</u>	<u>3,110</u>	<u>1,050</u>	<u>2,728</u>

At 31 March 2000 the Company had no commitments in respect of operating leases (1999: £Nil).

(2) Capital commitments	2000 £'000	1999 £'000
Contracted for at 31 March	<u>1,322</u>	<u>413</u>

(3) Guarantees

The Company and its fellow subsidiary companies within the group have given unlimited cross guarantees to secure the group bank borrowings. At the balance sheet date these guarantees amounted to £nil (1999: £nil).

18 ULTIMATE PARENT COMPANY

The directors regard Business Post Group plc, a company incorporated in Great Britain, as the immediate and ultimate parent company.

P Kane, a director of the Company and of the parent company, together with members of his close family and certain family trusts, the beneficiaries of which are persons connected with P Kane, control directly and indirectly 51.1% of the issued share capital of the parent company.

The parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared is Business Post Group plc.

Copies of the financial statements can be obtained from the registered office of Express House, 464 Berkshire Avenue, Slough, Berkshire SL1 4PL.

19 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group undertakings under the provisions of Financial Reporting Standard No.8, Related Party Disclosures.