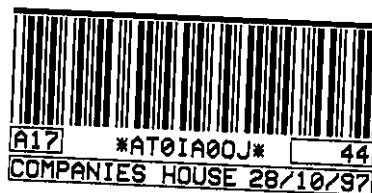


**BUSINESS POST LTD**

**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**for the year ended 31 March 1997**

**Company number 965783**



**BUSINESS POST LTD**

**DIRECTORS AND ADVISERS**

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**DIRECTORS**

M D Jones  
T J Montague-Johnstone  
N Brabbins  
A W Odling  
M Kane

**SECRETARY**

T J Montague-Johnstone

**REGISTERED OFFICE**

Express House  
464 Berkshire Avenue  
Slough  
SL1 4PL

**AUDITORS**

Binder Hamlyn  
20 Old Bailey  
London  
EC4M 7BH

**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 1997**

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**FINANCIAL STATEMENTS**

The Board of directors have pleasure in presenting their report and financial statements for the year ended 31 March 1997.

**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 to 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**

On 1 April 1996 the operating structure within the Business Post Group of companies was altered so that all activities are performed by the Company. Accordingly the activities previously carried out by Business Post Holdings Ltd (formerly Business Post Limited) and by Business Post International Ltd were transferred to the Company.

The Company's activities have continued to grow in an exceedingly competitive market. In August 1996 the Croydon hub was opened from leasehold premises, with the purpose built hub at Docklands being opened in February 1997. Construction of the new national hub at Birmingham commenced during the year and it is expected to become operational in the Autumn of 1997.

**FUTURE DEVELOPMENTS**

Further expansion of the Company's services are anticipated despite the continuing competitive nature of the parcels market.

**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 £10,894,087 (1996: £205,199).

**DIRECTORS' REPORT**  
**for the year ended 31 March 1997**

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**DIRECTORS**

The directors who have held office during the year are:

MD Jones	
TJ Montague-Johnstone	
N Brabbins	(appointed 10 October 1996)
A W Odling	(appointed 10 October 1996)
G Hunter	(appointed 1 April 1996, resigned 25 October 1996)
A J Michie	(appointed 1 April 1996, resigned 5 March 1997)
M Kane	

None of the directors had any interest in the Company's share capital during the year. MD Jones, M Kane and TJ Montague-Johnstone, 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.

The interests of the other directors in group companies comprise options to allotments of ordinary shares in Business Post Group plc at 370p exercisable at dates between 1998 and 2005 held by G Hunter for 25,070 shares. These options lapsed upon his resignation from the Company. A J Michie held similar options for 23,135 shares at 389p exercisable at dates between 1998 and 2005. These options lapsed upon his resignation from the Company. N Brabbins and A W Odling were granted similar options in the year for 36,344 and 19,824 shares respectively at 454p exercisable at dates between 1999 and 2006.

On 1 December 1996 a Sharesave Scheme became effective with options to allotments of ordinary shares in Business Post Group plc at 358p exercisable at dates between 1999 and 2002 held by A J Michie for 1,089 shares. These options lapsed upon his resignation from the Company. N Brabbins and A W Odling held similar options for 3,770 and 1,634 shares respectively.

**PAYMENT OF CREDITORS**

Approximately 60% 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 1997 the average number of days for payment of all trade creditors was 31.

**CHARITABLE DONATIONS**

During the year the company made charitable donations of £23,004 (1996 : £Nil).

**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 Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

**This report was approved by the Board on 16 June 1997 .**

  
**T Montague-Johnstone**  
Director

# BINDER HAMLYN

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Andersen Worldwide

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20 Old Bailey  
London EC4M 7BH

## Auditors' report

To the shareholders of Business Post Ltd

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention on the basis of the accounting policies set out on page 6.

### Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, 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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 March 1997 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants and Registered Auditors

16 June 1997



**BUSINESS POST LTD**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 1997

	Notes	1997	1996
		£	£
<b>Turnover</b>		<b>80,556,431</b>	<b>3,409,661</b>
Cost of sales		<u><b>56,381,245</b></u>	<u><b>258,625</b></u>
<b>Gross profit</b>		<b>24,175,186</b>	<b>3,151,036</b>
Administrative expenses		<u><b>8,520,712</b></u>	<u><b>3,313,931</b></u>
<b>Operating profit/(loss)</b>	2	<b>15,654,474</b>	<b>(162,895)</b>
Interest receivable and similar income	5	<u><b>625,808</b></u>	<u><b>470,559</b></u>
		<b>16,280,282</b>	<b>307,664</b>
Interest payable and similar charges	6	<u><b>-</b></u>	<u><b>2</b></u>
<b>Profit on ordinary activities before taxation</b>		<b>16,280,282</b>	<b>307,662</b>
Taxation	7	<u><b>5,386,195</b></u>	<u><b>102,463</b></u>
<b>Profit for the financial year</b>		<b>10,894,087</b>	<b>205,199</b>
Dividend	8	<u><b>10,894,087</b></u>	<u><b>205,199</b></u>
<b>Retained profit for the year transferred to reserves</b>	15	<u><b>-</b></u>	<u><b>-</b></u>

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

**BUSINESS POST LTD**

**BALANCE SHEET  
as at 31 March 1997**

	Notes	1997	1996
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	19,526,503	12,161,158
<b>CURRENT ASSETS</b>			
Debtors	10	17,752,963	4,829,869
Cash		<u>316,624</u>	<u>175</u>
		18,069,587	4,830,044
<b>CREDITORS:</b> amounts falling due within one year	11	<u>34,444,715</u>	<u>13,903,101</u>
<b>Net current liabilities</b>		<u>(16,375,128)</u>	<u>(9,073,057)</u>
<b>Total assets less current liabilities</b>		3,151,375	3,088,101
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	12	<u>650,464</u>	<u>587,190</u>
<b>Net assets</b>		<u>2,500,911</u>	<u>2,500,911</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,000	1,000
Profit and loss account	15	<u>2,499,911</u>	<u>2,499,911</u>
<b>Equity shareholders' funds</b>		<u>2,500,911</u>	<u>2,500,911</u>

The financial statements on pages 4 to 12 were approved by the Board on 16 June 1997.

  
T. Montague-Johnstone  
Director

## NOTES TO THE FINANCIAL STATEMENTS

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**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	- 25% 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 and hire purchase commitments**

Assets acquired under finance leases and hire purchase contracts are included in tangible fixed assets and are depreciated in accordance with the above depreciation policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are debited to the profit and loss account so as to produce a constant periodic rate of charge on the outstanding obligation. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of 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.

<b>2 OPERATING PROFIT</b>	<b>1997</b>	<b>1996</b>
is stated after charging/(crediting):	£	£
Depreciation	<b>1,785,959</b>	1,059,685
Profit on disposal of tangible fixed assets	<b>(43,863)</b>	(15,769)
Operating lease rentals		
- plant and machinery	<b>2,540,335</b>	(110,584)
- other operating leases	<b>916,892</b>	(236,936)
Auditors' remuneration		
- audit fees	<b>24,500</b>	3,789
- non audit services	<b>6,500</b>	4,941

**3 DIRECTORS' REMUNERATION****Emoluments**

The emoluments of the directors of the Company were:

Directors' emoluments (including pension contributions in respect of money purchase schemes and benefits in kind)	<b>622,478</b>	657,207
Aggregate pension contributions for money purchase schemes in respect of 5 directors	<b>10,060</b>	

The emoluments of the highest paid director were as follows :

Salary and taxable benefits	<b>113,472</b>	111,372
Bonus payments	<b>46,651</b>	46,782
	<b>160,123</b>	158,154
Accrued pension of highest paid director at year end	<b>58,712</b>	55,354
Accrued lump sum pension of the highest paid director at year end	<b>132,102</b>	124,546

Two directors exercised share options in Business Post Group plc during the year as disclosed in that company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

	1997 £	1996 £
<b>4 STAFF COSTS</b>		
Wages and salaries	12,321,892	1,966,518
Social security costs	1,185,162	199,462
Other pension costs	186,798	135,030
	<u>13,693,852</u>	<u>2,301,010</u>
The average number of persons (including directors) employed by the Company during the year was as follows :	Number	Number
Administration	84	80
Operational	<u>860</u>	<u>26</u>
	<u>944</u>	<u>106</u>
<b>5 INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
	£	£
Bank and loan interest	625,808	470,559
	<u>625,808</u>	<u>470,559</u>
<b>6 INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Bank loan and overdrafts	-	2
	<u>-</u>	<u>2</u>
<b>7 TAXATION</b>		
The charge for taxation is based on the profit for the year and comprises:		
UK Corporation tax payable at 33% (1996: 33%)	5,325,088	15,399
Adjustments relating to prior years	-	2,644
Transfer to deferred taxation (see note 12)	<u>61,107</u>	<u>84,420</u>
	<u>5,386,195</u>	<u>102,463</u>
<b>8 DIVIDEND</b>		
Proposed £10,894.087 per share (1996 : £205.199 per share)	<u>10,894,087</u>	<u>205,199</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold premises £	Motor vehicles £	Plant and equipment £	Total £
<b>Cost</b>					
1 April 1996	8,333,223	155,599	4,834,147	1,929,799	15,252,768
Transfers from fellow subsidiary undertakings	-	83,511	-	1,499,271	1,582,782
Additions	5,779,602	26,448	2,022,453	909,774	8,738,277
Disposals	-	(7,207)	(694,694)	(128,155)	(830,056)
<b>31 March 1997</b>	<b>14,112,825</b>	<b>258,351</b>	<b>6,161,906</b>	<b>4,210,689</b>	<b>24,743,771</b>
<b>Depreciation</b>					
1 April 1996	243,560	52,478	1,710,976	1,084,596	3,091,610
Transfers from fellow subsidiary undertakings	-	53,236	-	885,621	938,857
Disposals	-	(7,207)	(490,021)	(101,930)	(599,158)
Charge for the year	103,229	21,285	1,062,691	598,754	1,785,959
<b>31 March 1997</b>	<b>346,789</b>	<b>119,792</b>	<b>2,283,646</b>	<b>2,467,041</b>	<b>5,217,268</b>
<b>Net book value</b>					
<b>31 March 1997</b>	<b>13,766,036</b>	<b>138,559</b>	<b>3,878,260</b>	<b>1,743,648</b>	<b>19,526,503</b>
<b>31 March 1996</b>	<b>8,089,663</b>	<b>103,121</b>	<b>3,123,171</b>	<b>845,203</b>	<b>12,161,158</b>

Included in short leasehold premises are short leasehold improvements at a cost of £212,758 (1996: £123,507) and net book value of £125,596 (1996: £98,028 ).

Included in freehold land and buildings is freehold land with a cost of £6,160,191 (1996: £3,253,087 ).

Included in motor vehicles are assets which are hired under operating leases with a cost of £2,954,771 (1996: £2,140,824) and accumulated depreciation of £1,182,790 (1996: £846,739).

## NOTES TO THE FINANCIAL STATEMENTS

<b>10 DEBTORS</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>16,878,886</b>	-
Amounts owed by fellow subsidiary undertakings	-	4,714,837
Other debtors	<b>307,055</b>	15,245
Prepayments and accrued income	<b>542,488</b>	99,787
Corporation tax recoverable	<b>24,534</b>	-
	<b>17,752,963</b>	<b>4,829,869</b>

Included in other debtors are amounts recoverable after more than one year of £25,500 (1996 : £nil).

**11 CREDITORS:** amounts falling due within one year

Bank overdraft	-	26,154
Trade creditors	<b>5,540,542</b>	229,472
Amount owed to parent undertaking	<b>10,006,302</b>	12,850,117
Corporation tax	<b>5,338,459</b>	15,399
Other taxes and social security	<b>1,417,383</b>	381,267
Other creditors	<b>202,416</b>	65,690
Accruals and deferred income	<b>1,045,526</b>	129,803
Proposed dividend	<b>10,894,087</b>	205,199
	<b>34,444,715</b>	<b>13,903,101</b>

## NOTES TO THE FINANCIAL STATEMENTS

	1997 £	1996 £
<b>12 PROVISION FOR LIABILITIES AND CHARGES</b>		
Deferred Taxation Potential and provided		
Accelerated capital allowances	650,464	580,545
Other timing differences	-	6,645
	<u>650,464</u>	<u>587,190</u>
1 April 1996	587,190	502,770
Transferred from fellow subsidiary undertakings	2,167	-
Profit and loss account in respect of:		
Accelerated capital allowances	65,376	86,038
Other timing differences	<u>(4,269)</u>	<u>(1,618)</u>
31 March 1997	<u>650,464</u>	<u>587,190</u>
<b>13 PENSION COSTS</b>		
The Company sponsors employees' personal pension plans. Contributions were made by the Company at 2% of the eligible employees' salary in the year ended 31 March 1997.		
The Company also contributes to defined contribution schemes for two directors.		
<b>14 CALLED UP SHARE CAPITAL</b>		
Authorised, allotted and called up		
1,000 ordinary shares of £1 each	1,000	1,000
<b>15 PROFIT AND LOSS ACCOUNT</b>		
1 April 1996 and 31 March 1997	<u>2,499,911</u>	<u>2,499,911</u>
<b>16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>		
Opening shareholders' funds	2,500,911	2,500,911
Profit for the financial year	<u>10,894,087</u>	<u>205,199</u>
	13,394,998	2,706,110
Dividend	<u>(10,894,087)</u>	<u>(205,199)</u>
Closing shareholders' funds	<u>2,500,911</u>	<u>2,500,911</u>

## NOTES TO THE FINANCIAL STATEMENTS

**17 FINANCIAL COMMITMENTS****(1) Operating leases**

At 31 March 1997 the Company had the following annual commitments in respect of non-cancellable operating leases:

	<b>Land and buildings £</b>	<b>Other £</b>
Expiring		
- within one year	<b>58,658</b>	<b>383,575</b>
- within two to five years	<b>134,529</b>	<b>2,303,496</b>
- after five years	<b>857,608</b>	<b>-</b>
	<b>1,050,795</b>	<b>2,687,071</b>

**(2) Capital commitments**

	<b>1997 £</b>	<b>1996 £</b>
Contracted for at 31 March 1997	<b>4,316,211</b>	<b>1,700,000</b>

**(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 (1996: £nil).

**18 ULTIMATE PARENT COMPANY**

At 31 March 1997 the directors regarded Business Post Group plc, a company registered in England and Wales, as the ultimate parent company. It is the only company in the group to have drawn up group accounts.

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