

BUSINESS POST LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

for the year ended 31 March 2002



Company number 965783

BUSINESS POST LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

P Kane
M Kane
C G Buswell
P D C Fitzwilliam
D A Ross
P D Carvell
R Hodgson

SECRETARY

P Fitzwilliam

REGISTERED OFFICE

Express House
464 Berkshire Avenue
Slough
SL1 4PL

AUDITORS

Deloitte & Touche
London

BANKERS

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

FINANCIAL STATEMENTS

The Board of Directors have pleasure in presenting their report and audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is the provision of national and international parcel and express mail collection and delivery services. In the year to 31 March 2002, turnover increased ahead of the industry growth rate and the Company further improved its share of the UK express delivery market. The commencement of the five year agreement with FedEx to act as its Global Service Participant in the UK, recent levels of delivery performance of over 98% and the efficiency in cost control resulted in an increase in profit before tax at £13,425,000 (2001: £11,053,000).

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 £9,086,000 (2001: £7,800,000).

DIRECTORS

The directors who have held office throughout the year are:

P D Carvell
M Kane
P Kane

C G Buswell
P D C Fitzwilliam
D A Ross

R Hodgson

None of the directors had any interest in the Company's share capital during the year. All those directors as at 31 March 2002 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 40% 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 2002, the average number of days for payment of all trade creditors was 21 (2001: 31).

CHARITABLE DONATIONS

During the year the Company made charitable donations of £48,398 (2001: £44,823).

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

Following the cessation of business by Arthur Andersen, the Company's previous auditors on 31 July 2002, the Board appointed Deloitte & Touche to fill the vacancy. Following a subsequent review of external audit arrangements, the Board has appointed PriceWaterhouseCoopers LLP as auditor to the Company. A resolution to reappoint PricewaterhouseCoopers LLP as auditor to the Company will be proposed at the Annual General meeting.

This report was approved by the Board on 5 June 2003 and signed on its behalf by


P D C Fitzwilliam
Director

5/6/03

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; 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 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



P Fitzwilliam
Director

5 June 2003

**INDEPENDENT AUDITORS' REPORT
for the year ended 31 March 2002**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUSINESS POST LIMITED

We have audited the financial statements of Business Post Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

5 June 2003

BUSINESS POST LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	129,832	121,872
Cost of sales		<u>(100,142)</u>	<u>(95,064)</u>
Gross profit		29,690	26,808
Administrative expenses		<u>(16,748)</u>	<u>(16,159)</u>
Operating profit	2	12,942	10,649
Interest receivable and similar income	6	<u>483</u>	<u>404</u>
Profit on ordinary activities before taxation		13,425	11,053
Taxation on profit on ordinary activities	7	<u>(4,339)</u>	<u>(3,253)</u>
Profit on ordinary activities after taxation and for the financial year		9,086	7,800
Dividend	8	<u>(9,086)</u>	<u>(7,800)</u>
Retained profit for the year transferred to reserves	16	<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 LIMITED

BALANCE SHEET
as at 31 March 2002

	Notes	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	9	29,483	29,675
		<u>29,483</u>	<u>29,675</u>
CURRENT ASSETS			
Debtors	10	25,161	22,435
CREDITORS: amounts falling due within one year	11	<u>(51,101)</u>	<u>(48,591)</u>
Net current liabilities		<u>(25,940)</u>	<u>(26,156)</u>
Total assets less current liabilities		3,543	3,519
Provision for liabilities and charges	12	<u>(1,042)</u>	<u>(1,018)</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	16	<u>2,501</u>	<u>2,501</u>

The financial statements were approved by the Board on 5 June 2003
and signed on its behalf by



P Fitzwilliam
Director

1 ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents the invoiced value of services provided and half of the invoiced value of franchises sold, net of value added tax. All turnover arises from a single class of business that is undertaken wholly in the United Kingdom.

Taxation

A new financial reporting standard FRS 19 'Deferred Taxation' has been adopted for the year. The effect of adopting FRS 19 is not material to the financial statements. Current tax, indicating UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The asset is not discounted.

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	- 10% 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 dilapidations 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 ACCOUNTS
for the year ended 31 March 2002

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	2002	2001
is stated after charging/(crediting):	£'000	£'000
Depreciation	3,500	3,424
Loss on disposal of tangible fixed assets	32	118
Operating lease rentals		
- plant and machinery	3,519	3,436
- other operating leases	1,424	1,191
Operating lease rentals receivable	(120)	(397)
Foreign exchange losses	18	67
Auditors' remuneration*	56	47

*This includes £Nil (2001: £Nil) for non-audit services

3 DIRECTORS' REMUNERATION	2002	2001
	£'000	£'000
Directors' emoluments (including benefits in kind)	981	800
	£'000	£'000
Aggregate pension contributions for money purchase schemes in respect of 6 directors (2001: 5)	60	39
The emoluments of the highest paid director were as follows :		
Salary and taxable benefits	292	152
Pension contributions	20	-
Aggregate emoluments	312	152

BUSINESS POST LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 March 2002

	2002 £'000	2001 £'000
4 STAFF COSTS		
Wages and salaries	21,101	21,735
Social security costs	1,968	1,888
Other pension costs	409	214
	<u>23,478</u>	<u>23,837</u>
5 STAFF NUMBERS		
The average number of persons (including directors) employed by the Company during the year was as follows :	2002 Number	2001 Number
Administration	117	116
Operational	1,326	1,336
	<u>1,443</u>	<u>1,452</u>
6 INTEREST RECEIVABLE AND SIMILAR INCOME		
	2002 £'000	2001 £'000
Bank and loan interest	483	404
7 TAX ON PROFIT ON ORDINARY ACTIVITIES		
	2002 £'000	2001 £'000
The tax charge comprises:		
UK Corporation tax payable at 30% (2001: 30%)	4,031	3,417
Adjustments in respect of prior years: UK corporation tax	271	-
	<u>4,302</u>	<u>3,417</u>
Transfer to/(from) deferred taxation (see note 12)	37	(164)
	<u>4,339</u>	<u>3,253</u>
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:		
	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>13,425</u>	<u>11,053</u>
Tax at 30% (2001: 30%) thereon	4,028	3,316
Effects of:		
Expenses not deductible for tax purposes	4	2
Depreciation in excess of capital allowances	85	160
Group relief claimed	(86)	(61)
Adjustments in respect of prior years: UK corporation tax	271	-
	<u>4,302</u>	<u>3,417</u>

BUSINESS POST LIMITED

**NOTES TO THE ACCOUNTS
for the year ended 31 March 2002**

8 DIVIDEND

	2002 £'000	2001 £'000
Proposed £9,082 per share (2001: £7,800 per share)	<u>9,086</u>	<u>7,800</u>

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 2001	22,777	312	5,731	13,938	42,758
Additions	168	66	548	2,874	3,656
Disposals	-	-	(1,504)	-	(1,504)
31 March 2002	<u>22,945</u>	<u>378</u>	<u>4,775</u>	<u>16,812</u>	<u>44,910</u>
Depreciation					
1 April 2001	1,375	202	3,159	8,347	13,083
Disposals	-	-	(1,156)	-	(1,156)
Charge for the year	337	28	865	2,270	3,500
31 March 2002	<u>1,712</u>	<u>230</u>	<u>2,868</u>	<u>10,617</u>	<u>15,427</u>
Net book value					
31 March 2002	<u>21,233</u>	<u>148</u>	<u>1,907</u>	<u>6,195</u>	<u>29,483</u>
31 March 2001	<u>21,402</u>	<u>110</u>	<u>2,572</u>	<u>5,591</u>	<u>29,675</u>

Included in freehold land and buildings is freehold land with a cost of £7,705,453 (2001: £7,705,453). Included in short leasehold premises are short leasehold improvements at a cost of £272,075 (2001: £258,513) and net book value of £152,395 (2001: £138,833). Included in motor vehicles are assets which are hired to franchisees under operating leases with a cost of £Nil (2001: £415,711) and accumulated depreciation of £Nil (2001: £256,858).

BUSINESS POST LIMITED**NOTES TO THE ACCOUNTS**
for the year ended 31 March 2002

10 DEBTORS	2002	2001
	£'000	£'000
Trade debtors	19,947	20,622
Other debtors	4,131	912
Prepayments and accrued income	1,083	901
	25,161	22,435

Included in other debtors are amounts recoverable after more than one year of £3,600,000 (2001: £152,960).

11 CREDITORS: amounts falling due within one year	2002	2001
	£'000	£'000
Trade creditors	5,818	6,585
Amount owed to parent undertaking	28,984	28,712
Amount owed to fellow subsidiary undertaking	835	234
Corporation tax	2,280	1,814
Other taxes and social security	2,027	1,425
Other creditors	212	120
Accruals and deferred income	1,859	1,901
Proposed dividend	9,086	7,800
	51,101	48,591

BUSINESS POST LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 March 2002

12 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Property leases £'000	Total £'000
1 April 2001	679	339	1,018
Charged to Profit and Loss Account			
Accelerated capital allowances	37	-	37
Expended in the year	-	(13)	(13)
31 March 2002	716	326	1,042

The provision for property leases relates to dilapidations obligations and rental commitments on non-operational properties under leases expiring between 1 and 10 years.

	2002 £'000	2001 £'000
1 April	679	843
Deferred taxation potential and provided in respect of:		
Accelerated capital allowances	41	(164)
Other timing differences	(4)	-
31 March	716	679
Deferred taxation potential and provided in respect of:		
Accelerated capital allowances	860	819
Other timing differences	(144)	(140)
	716	679

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 2002.

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

	2002 £'000	2001 £'000
Authorised, allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

15 PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
At 31 March	2,500	2,500

BUSINESS POST LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 March 2002

	2002	2001
	£'000	£'000
16 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		
Opening equity shareholders' funds	2,501	2,501
Profit for the financial year	<u>9,086</u>	<u>7,800</u>
	11,587	10,301
Dividend	<u>(9,086)</u>	<u>(7,800)</u>
Closing equity shareholders' funds	<u>2,501</u>	<u>2,501</u>

17 FINANCIAL COMMITMENTS

(1) Operating leases

At 31 March 2002 the Company had the following annual commitments in respect of non-cancellable operating leases:

	Land and buildings	Other	Land and buildings	Other
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Expiring				
- within one year	209	504	137	329
- within two to five years	302	2,154	331	2,721
- after five years	874	-	835	-
	<u>1,385</u>	<u>2,658</u>	<u>1,303</u>	<u>3,050</u>

(2) Capital commitments

	2002	2001
	£'000	£'000
Contracted for at 31 March	<u>-</u>	<u>73</u>

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.