Registered Number 2154540

Post Office Limited

Accounts

2004 - 2005

Contents

Directors' Report

The Directors present the accounts for Post Office Limited (the Company). These accounts relate to the 52 weeks ended 27 March 2005 (2004 52 weeks).

Principal activities

The Company's principal activities are the provision of access to a wide range of government, financial travel and retail services through its network of Post Office branches and other channels across the United Kingdom (UK).

Review of the business and future developments

The Company has completed the third year of its Renewal Plan. The operating loss before exceptional items was £(139)m (2004 £109m loss) although this loss does not take account of a contribution of £151m in respect of the rural network which has been credited in reserves (2004 – £146m). During the year the parent company levied charges on the Company for services carried out on our behalf. Certain of these costs had not previously been recharged but if they are taken into account there was a marginal improvement in operating performance before exceptional items. Ongoing efficiency improvements and savings resulting from renegotiated supplier contracts contribute significantly to the improved operating performance but these savings have been largely offset by the loss of the benefits income during the year.

Key milestones achieved during the year include: completing the urban reinvention programme; reducing headcount and bringing nine new products to market.

It is essential that we continue to develop new profitable business areas. Post Office Financial Services is aimed directly at personal financial services and we have launched six products over the year and will launch five more over the next year. First Rate Travel Services continues its success with further increased profits and dividends.

The year ahead will be challenging. The migration of the benefits work is now almost complete and generating income is essential to the future success of the company as are further cost savings and efficiency improvements.

Results and dividends

The loss after taxation for the year was £91m (2004 £90m loss). The Directors do not recommend the payment of a dividend.

Policy on the payment of suppliers

The Company's policy is to use its purchasing power fairly. Payment terms are agreed in advance for all major contracts. For lower value transactions, the standard payment terms printed on the back of the purchase order apply. It is Company policy to make payments within 45 days of receiving a valid invoice. The Company has sought to comply with the DTI's Better Payment Practice Code. Copies of this can be obtained from the DTI.

The number of days' purchases in creditors at the balance sheet date was 23 (2004 28 days).

Charitable donations

During the year, the Company made charitable donations amounting to £50,825 (2004 £25,325).

Directors and their interests

The following have served as Directors of the Company during the year ended 27 March 2005 and up to the date of approval of these accounts:

M S Hodgkinson	(Chairman)
J B Anderson	
A R Cook	(appointed 22 February 2005)
P M Corbett	
R P Francis	(appointed 2 March 2005)
B J Goggin	(appointed 1 September 2004)
S G Halliday	
A L Leighton	
D W Miller	
D J Mills	
A J M Barrie	(resigned 8 June 2004)
G R Steele	
E Toime	(resigned 16 November 2004)

No Director has a beneficial interest in the share capital of the Company.

People

· Our goal is to ensure that all employees are engaged and involved in the business and are aligned and equipped to meet business objectives. As part of our commitment to drive better service for customers we continue to focus on improving the quality of our leadership professionalising key roles and achieving greater employee involvement in decision making.
Extensive training and development programmes have been put in place to support our ambition to create a high performance customer-oriented sales culture. This ambition is further supported by a range of bonus schemes which are based on the achievement of business targets. Underpinning all of this is a need for dignity at work, where everybody feels valued, is treated fairly and equally with everyone playing a full part in helping the Company to achieve its goals.
Regular employee opinion surveys are conducted to allow employees an opportunity to express their views and opinions on important issues. This two-way communication encourages all employees to contribute towards making business improvements.

Diversity

An Equal Opportunities policy is maintained in all respects including disability, age, religion, colour, sex, nationality, ethnic origin, sexual orientation, race, creed and marital status.
The Company's policy is to give full consideration to applications for employment from disabled persons. Employees who become disabled whilst employed receive full support through the provision of training and special equipment to facilitate continued employment where practicable. The Company provides training, career development and promotion to disabled employees wherever appropriate.
Our aim is to create a culture and environment where diversity is truly valued and we have a wide range of actions in place to help achieve this.

Going Concern

As explained in the review of the business and future developments, Post Office Ltd continues to operate at a loss. To provide a basis for the company to become viable in the longer term, new profitable business areas are being developed to replace the lost contribution from benefits income. However, whilst these changes are being implemented, the company remains reliant on agreements with its parent, ultimate parent and the Government to provide it with funding to continue operations. Further details of this are provided in Note 1 to the accounts.

Auditors

A resolution to reappoint Ernst & Young LLP as auditor will be put to the Annual General Meeting.

By Order of the Board

Jonathan Evans

Jonathan Evans
Secretary
London
16 May 2005

Statement of Directors' responsibilities in respect of the accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs and of the profit or loss of the Company for that period.

In preparing those accounts Directors are required to:

- select suitable accounting policies and apply them consistently;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. Directors are also responsible for ensuring that the assets of the Company are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post Office Limited

Independent Auditor's Report to the members of Post Office Limited

We have audited the Company's financial statements for the year ended 27 March 2005, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, accounting policies and the related notes 1 to 22. These financial statements have been prepared on the basis of 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

The Directors are responsible for preparing the accounts, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of Directors' responsibilities in respect of the accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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.

Fundamental uncertainty – Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty as to the ability of the Company to obtain sufficient additional funds to meet its funding requirements for the foreseeable future. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 27 March 2005 and of the loss of the Company for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP

Registered Auditor
London
16 May 2005

Post Office Limited

Profit and loss account

				27 March 2005			28 March 2004
	Notes	**Before exceptional items £m**	**Exceptional items (note 5) £m**	**Total £m**	Before exceptional items £m	Exceptional items (note 5) £m	Total £m
Turnover	2	**1,288**	**-**	**1,288**	1,278	-	1,278
Costs:		**(1,427)**	**(34)**	**(1,461)**	(1,387)	(10)	(1,397)
Staff costs	3/5	**(316)**	**(15)**	**(331)**	(313)	(2)	(315)
Depreciation	4	**(1)**	**-**	**(1)**	(1)	-	(1)
Impairment	4/5	**-**	**(19)**	**(19)**	-	(15)	(15)
Other operating charges	4/5	**(1,110)**	**-**	**(1,110)**	(1,073)	7	(1,066)
Operating loss	4	**(139)**	**(34)**	**(173)**	(109)	(10)	(119)
Net profit on disposal of tangible fixed assets	5	**-**	**14**	**14**	-	8	8
Loss on ordinary activities before interest		**(139)**	**(20)**	**(159)**	(109)	(2)	(111)
Net interest (payable)/receivable	7	**(9)**	**-**	**(9)**	2	-	2
Income from investments		**18**	**-**	**18**	10	-	10
Loss on ordinary activities before taxation		**(130)**	**(20)**	**(150)**	(97)	(2)	(99)
Taxation	8			**59**			9
Loss transferred to reserves for the financial year	18			**(91)**			(90)

Statement of total recognised gains and losses
for the period ended 27 March 2005

		27 March 2005 £m	28 March 2004 £m
Loss for the financial year		**(91)**	(90)
Capital contribution from parent undertaking	18	**-**	1,165
Total recognised gains/(losses) for the financial year		**(91)**	1,075

There is no statement of historical cost profits and losses as the accounts are produced under the historic cost convention.

Reconciliation of movements in shareholder's funds

		27 March 2005 £m	28 March 2004 £m
Opening shareholders' funds	18	**139**	(936)
Total recognised gains/(losses) for the financial year (see above)		**(91)**	1,075
Closing shareholder's funds	18	**48**	139

Balance sheets

at 27 March 2005 and 28 March 2004

	Notes	27 March 2005 £m	28 March 2004 £m
Fixed assets			
Tangible assets	9	**24**	29
Investments	10	**5**	5
Total fixed assets		**29**	34
Current assets			
Stocks		**8**	14
Debtors - receivable within one year	11	**338**	275
Investments	12	**79**	39
Cash at bank and in hand		**847**	991
		1,272	1,319
Creditors - amounts falling due within one year	13	**(1,223)**	(1,158)
Net current assets/(liabilities)		**49**	161
Total assets less current liabilities		**78**	195
Creditors - amounts falling due after more than one year	14	**(20)**	(22)
Provisions for liabilities and charges	16	**(10)**	(34)
Net assets		**48**	139
Capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account	18	**(838)**	(887)
Rural Network Reserve	18	**171**	311
Other reserve	18	**715**	715
Shareholders' funds		**48**	139

The accounts on pages 7 to 19 were approved by the Board on 16 May 2005 and signed on its behalf by:

Sir Michael Hodgkinson

Peter Corbett

Notes to the accounts

1. Accounting Policies

Fundamental accounting concept
Post Office Ltd had net assets of £48m at 27 March 2005 and, as explained in the directors' report, Post Office Ltd continues to operate at a loss. To become viable in the longer term, new profitable business areas are being developed to replace the lost contribution from benefits income. Post Office Ltd is therefore currently dependent on continuing financial support from its ultimate parent company, Royal Mail Holdings plc.

Up to £300m of funding for the rural network until March 2008 has been agreed , subject to a State Aid clearance process that has still to be completed.

The company successfully concluded negotiations with its parent, ultimate parent and the Government to provide additional capital contributions to meet short term funding requirements of £145m through to March 2007. Beyond this date, additional funding will be required to refinance the company's operations, including the existing working capital facilities of £1.15 billion, which matures March 2010.

As part of these funding negotiations, Post Office Ltd has entered into a process with its parent, ultimate parent and the Government to review the funding implications of returning the business to profitability and the capital requirements of the company. Whilst these discussions remain in their early stages, after careful consideration the directors are confident that the business will be able to meet future obligations as they fall due.

Accordingly, on that basis the directors consider that it is appropriate that the accounts have been prepared on a going concern basis assuming that:

- The £300m of rural funding receives appropriate State Aid clearance;
- The company will meet its revenue and expenditure targets; and
- A satisfactory resolution of the longer term funding requirements of the company is achieved with its parent, ultimate parent and the Government within the agreed timetable.

The following accounting policies apply throughout the Company:

Basis of preparation
The financial year ends on the last Sunday in March and accordingly, these accounts are made up to the year ended 27 March 2005 (2004 28 March 2004).

The accounts on pages 7 to 19 have been prepared in accordance with applicable accounting standards under the historic cost accounting convention and the requirements of the Companies Act 1985.

The accounts present information about the Company as an individual undertaking and not as a Group. The Company has taken advantage of section 228 of the Companies Act 1985 not to prepare Group accounts on the grounds that its ultimate parent undertaking makes its Group accounts publicly available.

No new Financial Reporting Standards, which affect the presentation of these accounts, have been issued by the Accounting Standards Board.

No cash flow statement has been presented as the Company is a wholly-owned subsidiary of a company which has presented a consolidated cash flow statement within its Group accounts.

Interbusiness trading
The Company operates through business units that make use of the services of other companies within the Group in order to take advantage of group synergies, having regard to the mutual dependencies that exist. The interbusiness charges recognise these dependencies. The Board's policy is to maintain controls to ensure adherence to appropriate pricing principles.

Turnover
Turnover comprises revenue receivable directly from customers excluding VAT.

Tangible fixed assets

Tangible fixed assets are recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use.

Depreciation of tangible fixed assets is provided on a straight-line basis by reference to original cost and to the remaining useful economic lives of assets and their estimated residual values. The lives assigned to major categories of tangible fixed assets (remaining lives shown in italics) are:

Land and buildings:		
freehold land	*nil*	not depreciated
freehold buildings	*14 years*	up to 50 years
leasehold land and	*9 years*	the shorter of the period of the lease, 50 years or the estimated
Plant and machinery	*5 years*	3 – 15 years
Motor vehicles and	*3 years*	1 – 12 years
Fixtures and equipment	*2 years*	2 – 15 years

Impairment reviews of fixed assets are performed where there is an indication of impairment as defined by FRS 11 Impairment of fixed assets and goodwill. Further details on tangible fixed assets can be found in note 9 to the accounts

Leasing and hire purchase

Assets acquired under finance leases or hire purchase agreements are capitalised and treated as tangible fixed assets. Depreciation is provided accordingly and the capital element of future rentals is included within creditors. Interest on such contracts is charged to the profit and loss account over the period of the contract and represents a charge that relates to the proportion of the capital repayments outstanding. All other leases are regarded as operating leases and rentals are charged to the profit and loss account over the lease term.

Fixed asset investments

Investments in associates and joint ventures within the Company's accounts are stated at cost less provision for impairment. Investments in joint ventures are incorporated within the Group accounts using the gross equity method of accounting such that the Group's share of their profit and loss is included within the Group profit and loss account and, in the Group balance sheet, the Group's share of the net assets of each joint venture is recorded. Further details on fixed asset investments can be found in note 10 to the accounts.

Stocks

Stocks include stationery and retail stocks. All stocks are carried at the lower of cost and net realisable value.

Current asset investments

All current asset investments are held at original investment value and are treated according to standard UK accounting rules. Further details on current asset investments can be found in note 12 to the accounts.

Deferred tax

Deferred tax is generally provided in full on timing differences at the balance sheet date, at rates expected to apply when the tax liability (or asset) crystallises based on substantially enacted 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 accounts.

Deferred tax is not recognised in the following instances:

- on gains on disposal of fixed assets where, on the basis of available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when there is a commitment to dispose of those replacement assets;

- on unremitted earnings of joint ventures where there is no commitment to remit those earnings; and

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted. Further details on deferred tax can be found in note 8 to the accounts.

Pensions and other post-retirement benefits

People working for the Company are employed by Royal Mail Group plc and seconded to the Company. Membership of the occupational pension schemes is open to most permanent UK employees of the Group. The principal schemes are defined benefit schemes, and all members of these schemes are contracted out of the earnings-related part of the State pension scheme.

The defined benefit schemes are financed on the basis that the combined current service contributions payable by the employees and employer are sufficient to cover the cost of the benefits which are expected to accrue in the future to members.

The charge to the profit and loss account is calculated so as to spread variations from regular cost and to amortise the surplus or deficit over the expected remaining service lives of the employees. The assets of the schemes are held in separate trustee administered funds.

Valuations of the defined benefit schemes are carried out by independent professionally qualified actuaries at intervals not normally exceeding three years, as determined by the Trustees. The accounting charge for pensions reflects best estimate assumptions as required by SSAP 24, whereas the funding arrangements use a more cautious assumption for investment returns to assess the cash position of the Royal Mail Pension Plan (RMPP). This results in the cash payments being higher than the accounts charge for the RMPP. The difference is dealt with through the long-term pensions debtor in the Royal Mail Group plc balance sheet.

Full details of the schemes can be found in the Royal Mail Holdings plc accounts.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction (or at the contracted rate if the transaction is covered by a forward foreign currency contract). Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date (or the appropriate forward contract rate). All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings which are used to finance or provide a hedge against foreign equity investments. These are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

2. Turnover

Turnover, all from continuing operations, comprises the value of services provided, excluding VAT, from the Company's principal activities, providing access to a wide range of financial and retail services through its network of post office branches across the UK. The Company operates wholly within the United Kingdom.

3. Staff costs and numbers

Under an agreement between the Company and Royal Mail Group plc, Royal Mail Group plc provides staff engaged in the business of the Company. The Company meets the full costs of their employment. The following information is provided about these staff:

	27 March 2005 £m	28 March 2004 £m
Wages and salaries	**281**	274
Social security costs	**20**	20
Pension costs (note 20)	**30**	21
Total	**331**	315

Wages and salaries include £15m (2004 £2m), which is included as an operating exceptional item (see note 5 to the accounts).

	27 March 2005	28 March 2004
Total employees	**12,145**	13,115
Total Subpostmasters	**12,020**	13,575

4. Operating loss

Operating loss is stated after charging/(crediting):

	27 March 2005 £m	28 March 2004 £m
Depreciation	1	1
Impairment of tangible fixed assets	19	15
Licence and franchise fees	(1)	(1)
Subpostmasters' costs	544	557
Charges for services performed by Royal Mail Group plc	138	135
Operating lease rentals	20	18

As a result of a number of outsourcing arrangements approximately £30m previously classified as internal expenditure is now included in other external operating charges.

Auditors' remuneration amounted to £140,000 (2004 £92,000) for audit services. Remuneration for non-audit services amounted to £21,000 (2004 £60,000).

5. Exceptional items

Exceptional items comprise operating exceptional items, which are recorded within the operating profit and non-operating exceptional items, which are recorded below operating profit in the profit and loss account. Both are further highlighted below.

	27 March 2005 £m	28 March 2004 £m
Operating exceptional items:		
Share in Success	(15)	-
Impairment of tangible fixed assets	(19)	(15)
Provision for redundancy costs in respect of the restructuring of the Company	-	(2)
Other restructuring costs	-	7
	(34)	(10)
Non-operating exceptional items:		
Net profit on disposal of tangible fixed assets	14	8
Total	(20)	(2)

6. Directors' emoluments

The Directors received the following emoluments:

	27 March 2005	28 March 2004
	£000	£000
Total emoluments, excluding pension contributions	1,391	1,332
Company contributions to defined benefit pension schemes	176	193

Directors accruing pension entitlements during the period under:

	27 March 2005	28 March 2004
	Number	Number
Defined benefit schemes	7	8
Defined contribution schemes	Nil	Nil

There are 2 other Directors (2004 – 3) who are also Directors of Royal Mail Holdings plc and receive no remuneration in respect of their services to Post Office Limited.

The aggregate amount receivable by executive management including the Chief Executive, under a long term incentive scheme which rewards achievement of the 3 year renewal plan is £3.0m.

The highest paid Director received the following emoluments:

	27 March 2005	28 March 2004
	£000	£000
Aggregate emoluments excluding pension contributions	381	343
Company contributions to pension schemes	134	109
Transfer value of accrued pension benefits	90	58

7. Net interest (payable)/receivable

	27 March 2005 £m	28 March 2004 £m
Interest receivable	5	6
Interest payable on other loans and client balances	(14)	(4)
Total net interest (payable)/receivable	(9)	2

8. Taxation

Tax on loss on ordinary activities

The current tax (credit)/charge is made up as follows:

	27 March 2005 £m	28 March 2004 £m
Amount surrendered in respect of consortium/group relief	(28)	(15)
Tax underprovided in previous years	(31)	6
Deferred tax	-	-
Total current tax (see above)	(59)	(9)

Factors affecting current tax (credit)/charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2004 30%). The differences are explained below:

	27 March 2005 £m	28 March 2004 £m
Loss on ordinary activities before tax	(150)	(99)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 30%)	(45)	(30)
Dividend receivable not subject to tax	(5)	(3)
Adjustment in respect of prior periods	(31)	6
Effect of group relief surrenders to other companies	47	-
(Accelerated)/deferred relief for asset depreciation and impairment	(16)	2
Deferred relief for pension contributions*	4	12
Provision adjustments not allowable	(13)	-
Losses and other reliefs not utilised	-	3
Other	-	1
Total current tax (see below)	(59)	(9)

*Pension contributions qualify for tax relief in the year in which they are paid. Charges to the profit and loss account in respect of pensions exceeded contributions paid in the year.

Factors that may affect future tax charges

The Company has £97m (2004 £114m) of unrecognised deferred tax assets relating to tax losses that are available for offset against future trading profits. The Company also has £150m (2004 £178m) of deferred tax assets relating to other timing differences, which have not been recognised due to the uncertain trading outlook making future profits uncertain. These deferred tax assets may be recognised in future if, and to the extent that, suitable taxable profits are expected to become available.

The Company has capital losses carried forward the tax effect of which is approximately £1m (2004 £1m). These may be set against future capital gains. The Company has rolled over capital gains the tax effect of which totals £8m (2004 £8m). It is expected that gains on assets sold in the year will be fully rolled over in due course.

9. Tangible fixed assets

	Land and Buildings					
	Freehold	Long leasehold	Short leasehold	Motor vehicles	Fixtures and equipment	Total
COST	£m	£m	£m	£m	£m	£m
At 28 March 2004	74	14	76	43	628	835
Reclassification	(7)	1	6	-	-	-
Additions	-	1	-	4	3	8
Disposals - external	(7)	-	(11)	(4)	-	(22)
Group transfers	5	-	1	-	-	6
At 27 March 2005	**65**	**16**	**72**	**43**	**631**	**827**
ACCUMULATED DEPRECIATION						
At 28 March 2004	48	11	76	43	628	806
Charge for the year	1	-	-	-	-	1
Impairment	4	1	7	4	3	19
Disposals - external	(5)	-	(11)	(4)	-	(20)
Group transfers	(3)	-	-	-	-	(3)
At 27 March 2005	**45**	**12**	**72**	**43**	**631**	**803**
NET BOOK AMOUNT						
At 27 March 2005	**20**	**4**	**-**	**-**	**-**	**24**
At 28 March 2004	26	3	-	-	-	29

Depreciation rates are disclosed within the accounting policies. No depreciation is provided on freehold land, which represents £5m (2004 £9m) of the total cost of freehold properties.

10. Fixed asset investments

The cost of Fixed asset investments was £5m at 27 March 2005.

The Company has a 50% stake in First Rate Travel Services ("FRTS") Holdings Limited, a company incorporated in the United Kingdom. The remaining 50% is owned by the Bank of Ireland. FRTS Holdings Limited has a 100% shareholding in First Rate Travel Services Limited whose principal activities are that of foreign exchange. Post Office Limited and the Bank of Ireland exercise joint control of FRTS Holdings Limited and the arrangement is therefore considered to be a joint venture.

The company also owns a 49.99% interest in Midasgrange Limited, which trades as Post Office Financial Services ("POFS"). POFS is a venture between Post Office Limited and the Bank of Ireland. POFS principal activity is to develop and source a range of personal finance products for subsequent launch through appropriate channels. During the year the status of Midasgrange Limited changed from joint venture to associate.

11. Debtors receivable within one year

	27 March 2005 £m	28 March 2004 £m
Trade debtors	35	147
Prepayments and accrued income	248	118
Dividend receivable	18	10
Corporation tax debtor	37	-
Total	338	275

12. Current asset investments

	27 March 2005 £m	28 March 2004 £m
Sterling deposits in money market funds	79	39

13. Creditors - amounts falling due within one year

	27 March 2005 £m	28 March 2004 £m
Client service balances	323	767
Trade creditors and accruals	220	179
Obligations under hire purchase contracts	-	34
Loans	360	50
Amounts due to parent undertaking	247	18
Amounts due to agents and employees	61	94
Corporation tax	-	3
Other taxation and social security	12	13
Total	1,223	1,158

14. Creditors - amounts falling due after more than one year

	27 March 2005 £m	28 March 2004 £m
Deferred income	20	22
Total	20	22

The total amount due under hire purchase contracts is as follows:

	27 March 2005 £m	28 March 2004 £m
Amounts falling due in:		
One year or less	-	34
More than one but not more than two years	-	-
Total	-	34

15. Loans – amounts falling due in less than one year

	27 March 2005 £m	28 March 2004 £m
Total Amounts falling due:	**360**	50

Analysis of loans

	Security	Total principal £m	Interest range %
DTI loan	Cash or near cash items	360	5.00

16. Provisions for liabilities and charges

	At 28 March 2004 £m	Released in the year £m	Utilised non-cash £m	Utilised cash £m	At 27 March 2005 £m
Counter Services Renewal Plan	34	-	(13)	(11)	**10**

17. Share capital

The authorised, allotted, called up and fully paid share capital is 50,000 (2004 – 50,000) ordinary £1 shares, beneficially owned by Royal Mail Group plc.

18. Reserves

	Profit & loss account £m	Rural Network £m	Other Reserve £m	27 March 2005 Total £m	28 March 2004 Total £m
Retained surplus/(deficit) at 28 March 2004	(887)	311	715	**139**	(936)
Capital transfer from parent undertaking	-	-	-	-	1,165
Transfer from Rural Network Reserve	151	(151)	-	-	-
Loss for the financial year	(91)	-	-	**(91)**	(90)
Interest added	(11)	11	-	-	-
Retained surplus/(deficit) at 27 March 2005	(838)	171	715	**48**	139

19. *Commitments*

Capital commitments contracted for but not provided in the accounts amount to £nil (2004 £nil).

The Company is committed to the following payments on operating leases during the next 12 months:

	Land and buildings	
	27 March 2005 £m	28 March 2004 £m
For leases which expire:		
Within one year	**3**	2
Between one and five years	**6**	5
Beyond five years	**11**	11
Total	**20**	18

20. Pensions

The Company participates in the occupational pension schemes operated by Royal Mail Group plc, which are principally defined benefit schemes.

The Company is unable to identify its share of underlying assets and liabilities within the schemes. Full details of the schemes, including the existence of a deficit in the schemes and associated implications, can be found in the Royal Mail Holdings plc Group accounts.

The total pension charge was £30m (2004 £21m). During the year, variations in the standard pension contributions of £11m were recharged (2004 £16m) from the parent company.

21. Related party transactions

The Company has taken advantage of one of the exemptions conferred by FRS 8 'Related Party Transactions', whereby certain details regarding transactions with Group companies do not have to be disclosed where Group accounts are publicly available.

22. Immediate and ultimate parent company

At 27 March 2005, the Directors regarded Royal Mail Group plc as the immediate parent company and Royal Mail Holdings plc as the ultimate parent company. The only accounts into which the Company's results are consolidated are those of the ultimate parent company, which are available from that company's website (www.royalmail.com).