Registered Number 04192875

CSC Business Systems Limited

Accounts

2002-2003

CSC Business Systems Limited

Contents

CSC Business Systems Limited

Directors' Report

The Directors present the accounts of CSC Business Systems Limited (the Company). These accounts relate to the 61-week period from 1 April 2002 to 1 June 2003.

1. Principal activities

The principal activity of the business is the provision of business IT services.

2. Change of name

On 19 March 2003 the company changed its name from Romec (No 3) Limited to RM Business Systems Limited, and on 3 June 2003 it changed its name again to CSC Business Systems Limited.

3. Review of the business and future developments

The Company remained dormant until 31 March 2003. At this date Royal Mail Group plc transferred the trade, assets and liabilities and rights and obligations of its business systems operation to RM Business Systems Limited in consideration for the issue of 100 ordinary shares in the Company to Royal Mail Group plc. Subsequent to these transactions on 3 June 2003, the Company was sold to CSC Computer Sciences Limited (for further details see note 12 'Post balance sheet event').

4. Results and dividend

The profit after taxation for the period to 1 June 2003 was £205,000 (year ended 31 March 2002 £nil). The Directors do not recommend the payment of a dividend (year ended 31 March 2002 £nil).

5. Post balance sheet event

The Company changed its name from RM Business Systems Limited on 3 June 2003, and on this date Royal Mail Group plc sold the Company to CSC Computer Sciences Limited. Further details are included in note 12 'Post balance sheet event' on page 13.

6. Directors

The following have served as Directors of the Company during the period and up to the date of approval of these accounts:

A H Hartshorn	Appointed	4 April 2003	Resigned	3 June 2003
H D Fisk	Appointed	3 June 2003		
L J Level	Appointed	3 June 2003		
G Hains	Appointed	3 June 2003		
K Archer	Appointed	3 June 2003		
G F Bell	Appointed	3 June 2003		
J G Smith	Resigned	3 June 2003		

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

7. Auditors

Ernst & Young LLP intend to resign as auditors after completion of the accounts for the period ending 1st June 2003. A resolution to appoint Deloitte & Touche LLP as auditors will be put to the members at the annual general meeting.

By order of the Board

D J Edwards
Secretary
14 May 2004

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 the 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.

Independent auditors' report to the members of CSC Business Systems Limited

We have audited the Company's financial statements for the period ended 1 June 2003, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, accounting policies and general notes and the related notes 1 to 13. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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 within it.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 1 June 2003 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
20 May 2004

Accounting policies and general notes

The accounts have been prepared in accordance with the following accounting policies and general notes:

A) **Basis of preparation**

The accounts on pages 5 to 13 have been prepared in accordance with applicable accounting standards under the historic cost accounting convention and the requirements of the Companies Act 1985.

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.

The Directors consider that there are adequate resources available to fund the operational activities of the Company for the foreseeable future and therefore consider it appropriate to prepare the accounts on a going concern basis.

B) **Accounting period**

During the year the accounting reference period was changed from 31 March to 1 June consequently, these accounts cover the 61 week period from 1 April 2002 to 1 June 2003 (2002 53 weeks).

C) **Interbusiness trading**

The Company makes 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 that appropriate pricing principles are adhered to.

D) **Turnover**

Turnover comprises revenue receivable directly from customers excluding VAT.

E) **Tangible fixed assets**

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

(ii) 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 are:

Property:	
freehold buildings	up to 60 years
leasehold land and buildings	the shortest of the period of the lease, 60 years or the estimated remaining useful life
Fixtures and equipment:	
office machines	3 – 12 years
computers	2 – 7 years
other	4 – 15 years .

(iii) Impairment reviews of fixed assets are performed annually for assets with an estimated remaining useful life in excess of 50 years, and additionally where there is an indication of impairment as defined by FRS11.

F) **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.

Accounting policies and general notes (continued)

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 subsidiaries and associates 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.

Profit and loss account

	Notes	61 weeks ended 1 June 2003 £
Turnover	1	41,191,188
Staff costs	2	(16,595,938)
Depreciation and other amounts written off tangible fixed assets	3	(2,832,516)
Other operating charges		(21,557,734)
Profit on ordinary activities before taxation		205,000
Taxation	5	-
Profit transferred to reserves for the financial year	10	205,000

Statement of total recognised gains and losses
for the 61 weeks ended 1 June 2003

There are no recognised gains and losses other than the profit attributable to the Company of £205,000 in the period ended 1 June 2003.

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

Comparative numbers are not presented, as the Company was dormant until 31 March 2003.

CSC Business Systems Limited

Balance sheet

	Notes	At 1 June 2003 £	At 31 March 2002 £
Fixed Assets			
Tangible assets	6	**29,018,000**	-
Current assets			
Cash at bank and in hand		**1**	1
Debtors receivable within one year	7	**4,697,000**	-
Creditors – amounts falling due within one year	8	**(6,629,000)**	-
Net current assets/(liabilities)		**(1,931,999)**	1
Total assets less current liabilities		**27,086,001**	1
Capital and reserves			
Called up share capital	9	**101**	1
Share premium	10	**26,880,900**	-
Profit and loss account	10	**205,000**	-
Shareholders' funds		**27,086,001**	1

Approved by the Board on 14 May 2004.

G Hains
Director

Notes to the accounts

1. Turnover

Turnover, all from continuing operations, comprises the value of services provided, excluding VAT, from the Company's one principal area of activity. The Company operates wholly within the United Kingdom.

2. Staff costs

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

	61 weeks ended 1 June 2003 £
Wages and salaries	**14,581,245**
Social security costs	**939,760**
Pension costs	**1,074,933**
	16,595,938

Average staff numbers, seconded to the Company and calculated on a full-time equivalent basis were:

61 weeks ended 1 June 2003	53 weeks ended 31 March 2002
857	1

See 'Post balance sheet event' note 12 for further information regarding the seconded staff.

3. Operating profit

Operating profit is stated after charging:

	61 weeks ended 1 June 2003 £
Impairment of fixed assets	**911,947**
Depreciation of owned fixed assets	**1,920,569**
	2,832,516

The accounts do not include any charges for audit and non-audit services as these costs are borne by Royal Mail Group plc and are disclosed in the accounts of that company.

4. Directors' emoluments

The Directors of the Company are paid no fees.

5. **Taxation**

(a) Tax on profit on ordinary activities

There is no tax charge or credit for the 61 weeks ended 1 June 2003.

(b) Factors affecting current tax charge

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 30% (2002 30%). The differences are explained below:

	61 weeks ended 1 June 2003 £
Tax charge at 30% (UK corporation tax rate) on the profit for the year	61,500
Accelerated capital allowances available	(730,000)
Capital allowances not claimed	660,000
Non-deductible expenditure	8,500
	-

(c) Factors that may affect future tax charges

The company has unrecognised deferred tax assets carried forward worth £37m related to timing differences on fixed assets.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	Amount provided liability (asset)		Full potential taxation liability (asset)	
	61 weeks 2003 £	53 weeks 2002 £	61 weeks 2003 £	53 weeks 2002 £
(Deferred)/accelerated capital allowances	-	-	(37,000,000)	-
	-	-	(37,000,000)	-

6. Tangible fixed assets

	Freehold Land & Buildings	Fixtures & equipment	Total
COST	£	£	£
At 1 April 2002	-	-	-
Transfer from Royal Mail Group plc	8,630,000	72,967,661	81,597,661
Additions	911,947	956,247	1,868,194
Disposals	-	(250,197)	(250,197)
Group transfers	-	(4,469)	(4,469)
At 1 June 2003	**9,541,947**	**73,669,242**	**83,211,189**
ACCUMULATED DEPRECIATION			
At 1 April 2002	-	-	-
Transfer from Royal Mail Group plc	-	51,586,477	51,586,477
Charge for the year	-	1,920,569	1,920,569
Impairment loss	911,947	-	911,947
Disposals	-	(221,894)	(221,894)
Group transfers	-	(3,910)	(3,910)
At 1 June 2003	**911,947**	**53,281,242**	**54,193,189**
NET BOOK AMOUNT			
At 1 June 2003	**8,630,000**	**20,388,000**	**29,018,000**
At 1 April 2002	-	-	-

7. Debtors - receivable within one year:

	1 June 2003	31 March 2002
	£	£
Prepayments and accrued income	**4,599,000**	-
Other debtors	**98,000**	-
	4,697,000	-

8. **Creditors – amounts falling due within one year**

	1 June 2003 £	31 March 2002 £
Accruals	336,000	-
Other creditors	5,930,000	-
Amounts due to parent undertaking	363,000	-
	6,629,000	-

9. **Called-up share capital**

Authorised share capital increased by £900 to 1,000 ordinary shares of £1 each. Also during the year, 100 ordinary shares of £1 each, with an aggregate nominal value of £100, were allotted to Royal Mail Group plc with the transferring of the trade, assets and liabilities and rights and obligations of Royal Mail Group plc's business systems operation into the Company.

10. **Reconciliation of shareholders' funds and movement on reserves**

	Share Capital £	Share Premium account £	Profit and Loss account £	2003 Total £
At 1 April 2002	1	-	-	1
Issue of shares	100	26,880,900	-	26,881,000
Profit for the financial year	-	-	205,000	205,000
At 1 June 2003	101	26,880,900	205,000	27,086,001

11. **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.

12. **Post balance sheet event**

On 3 June 2003, Royal Mail Group plc sold the Company to CSC Computer Sciences Limited as part of a sale agreement for the entire issued share capital of the Company. As a consequence of this transaction, 1,713 staff were transferred from Royal Mail Group plc to CSC Computer Sciences Limited on existing terms and conditions under the Transfer of Undertakings (Protection of Employment) regulations 1981 (TUPE).

13. **Immediate and ultimate parent company**

At 1 June 2003, the Directors regarded Royal Mail Group plc as the immediate parent company and Royal Mail Holdings plc as the ultimate parent company.