Company registration number: 02072003

UK MAIL EXPRESS PARCELS AND MAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

UK MAIL EXPRESS PARCELS AND MAIL LIMITED

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for the year ended 31 March 2010

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The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2010

PRINCIPAL ACTIVITIES

UK Mail Express Parcels and Mail Limited (registration number 02072003) is a private limited company incorporated and domiciled in England The Company is a wholly owned subsidiary of UK Mail Group plc (registration number 02800218), a public limited company incorporated and domiciled in England and listed on the London Stock Exchange (LSE UKM) The Company's registered office is Express House, 464 Berkshire Avenue, Slough, Berkshire, SL1 4PL

The principal activity of the Company was until 23 September 2009, the operation of business mail collection and delivery services (see 'Review of business and future developments) On 23 September 2009, the business and assets of the Company were merged into the Company formerly known as 'Business Post Ltd' The Company has not traded since that date

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

At 1 April 2009, the Company was known as 'UK Mail Ltd', and was actively involved in the operation of business mail collection and delivery services as part of the 'Business Post' Group of companies In September 2009 , the parent group began a process of restructuring which largely involved the merging of this Company into the company formerly known as 'Business Post Ltd' Following the merger, the merged 'Business Post Ltd' changed its name to 'UK Mail Limited', and the parent entity changed its name from 'Business Post Group plc' to 'UK Mail Group plc'

To facilitate this process, on 23 September 2009, the Company changed its name from 'UK Mail Ltd' to 'UK Mail Group Ltd' and then subsequently to 'UK Mail Express Parcels and Mail Limited' The Company has not traded since that date, and there are no immediate plans for this situation to change

Consequently, the statement of comprehensive income reflects a trading period of an approximate six months compared to a full twelve months in respect of the prior year

Pre-tax profits of £5,675,000 (2009 £11,266,000 *) have been achieved on revenue of £80,313,000 (2009 £164,511,000) The directors consider the results to be satisfactory, given that within the overall UK mail market, transactional volumes are declining by some 5% per annum

As expected, the rate of growth has moderated from the very high levels previously achieved, but the business enjoyed continued success in attracting significant new as well as retaining, and generating further mail growth from existing customers

UK Mail operating profits for the period were £5,561,000 (2009 £11,475,000 *), reflecting a slight decrease in the operating margin to 6 9% (2009 7 0%)

As a result of the transfer of assets to the Company now known as UK Mail Limited (registration number 965783), there were no debtor days outstanding at the year end (2009 25 7 days) Similarly, there were no creditor days outstanding at 31 March 2010 (2009 25 1 days)

* as restated - see note 3

FINANCIAL AND OPERATIONAL RISK MANAGEMENT

As part of the UK Mail Group of companies ('Group'), the Company has an established risk management monitoring and review process The process requires management of the business to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage those risks The risk management plan is reviewed by both the board of the Company and that of the Group

The UK Mail Group plc Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide it with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations There are inherent limitations in any system of internal control and, accordingly even the most effective system can provide only reasonable, and not absolute, assurance

The key features of the internal control system within the Group are

- clearly defined delegation of responsibilities, including relevant authorisation levels,
- clearly documented internal procedures set out in operational and administration
- regular compliance audit visits to all sites to monitor compliance with procedures and assess the integrity of financial information,
- review of financial procedures by the internal auditor,
- close involvement of executive directors in monitoring and managing the main risk areas of the business,
- regular information provided to senior management, covering financial performance and key business indicators, and
- monthly monitoring of results against budget and forecast, with major variances being followed up and management action taken where necessary

The UK Mail Group plc Board has reviewed the effectiveness of the internal control systems during the period covered by the financial statements and up to the date of the approval of the financial statements This review covered all controls, including financial, operational and compliance controls and risk management

PRINCIPAL RISKS AND UNCERTAINTIES

Given that the entire business and assets of the Company were transferred on 23 September 2009, the directors do not believe that there remain any risks or uncertainties which could have a material adverse impact on the Company

KEY PERFORMANCE INDICATORS (KPI's)

Similarly, given that the entire business and assets of the Company were transferred on 23 September 2009, the directors do not believe that a discussion of the Company's KPI's is necessary or appropriate for an understanding of the development, performance or position of the Company

RESULTS AND DIVIDENDS

The Company's profit for the period to 23 September 2009 was £4,113,000 (2009 £7,938,000 *) A final dividend of £77,000 per share amounting to £7 7m was paid on 10 July 2009 The directors recommend the payment of a final dividend of £176,500 51 per share amounting to £17 6m payable on 23 August 2010

The profit for the period to September 2009 of £4,113,000 (2009 £7,938,000 *) has been transferred to reserves

* as restated - see note 3

SUPPLIER PAYMENT POLICY

The Company's policy concerning the payment of its trade payables is to follow the Better Payment Practice Code which can be found at www payontime co uk The Company endeavours to agree standard terms of payment with its major suppliers at the commencement of business Suppliers fulfilling the conditions of supply are paid in accordance with the agreed standard terms Other suppliers are paid in accordance with the contractual terms as agreed from time to time As at 31 March 2010, the Company had no creditor days outstanding (2009 25 1 days)

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable donations (2009 £nil) during the year No political donations were made (2009 £nil)

DIRECTORS

The directors who have held office during the year and up to the date of signing the financial statements were

C G Buswell	
W Cockburn (Chairman)	(resigned 23 September 2009)
S Glew	
P Kane	
I Paterson	(resigned 23 September 2009)
S Patrick	(resigned 23 September 2009)

P Dobb was appointed as Company Secretary on 1 September 2009

DIRECTORS' INDEMNITIES

In accordance with the Company's Articles of Association, directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each of the persons who are directors at the time when this report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and will therefore continue in office as auditors to the Company until further notice

S Glew
Director
23 August 2010

We have audited the financial statements of UK Mail Express Parcels and Mail Limited for the year ended 31 March 2010 which comprise which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

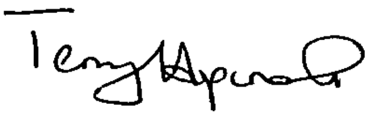
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Terence Hopcroft (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Thames Valley
23 August 2010

UK MAIL EXPRESS PARCELS AND MAIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

	Notes	2010 £'000	Restated * 2009 £'000
Revenue	2	**80,313**	164,511
Cost of sales		**(72,488)**	(149,315)
Gross profit		**7,825**	15,196
Administrative expenses		**(2,264)**	(3,721)
Operating profit	3	**5,561**	11,475
Finance costs	4	**(91)**	(209)
Finance income	4	**205**	-
Profit before taxation		**5,675**	11,266
Taxation	6	**(1,562)**	(3,328)
Profit for the year		**4,113**	7,938
Total comprehensive income for the year		**4,113**	7,938
Total comprehensive income attributable to Equity holders of the Company		**4,113**	7,938

* see note 3

UK MAIL EXPRESS PARCELS AND MAIL LIMITED

BALANCE SHEET

as at 31 March 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Intangible assets	8	-	491
Property, plant and equipment	9	-	5,022
		-	5,513
Current assets			
Trade and other receivables	11	**17,650**	105,010
Cash and cash equivalents	12	-	1,785
		17,650	106,795
LIABILITIES			
Current liabilities			
Borrowings	13	-	(684)
Trade and other payables	14	-	(78,409)
Current tax liabilities		-	(9,079)
Provisions	16	-	(45)
		-	(88,217)
Net current assets		-	18,578
Non-current liabilities			
Borrowings	13	-	(2,724)
Deferred tax liabilities	15	-	(186)
Net assets		-	21,181
Shareholders' equity			
Ordinary shares	17	-	-
Retained earnings		**17,650**	21,181
Total shareholders' equity		**17,650**	21,181

The financial statements on pages 9 to 43 were approved by the board of directors on 23 August 2010 and were signed on its behalf by

S Glew
Director

The related notes numbered 1 to 27 form part of these financial statements

UK MAIL EXPRESS PARCELS AND MAIL LIMITED

CASH FLOW STATEMENT

for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Cash generated from/(used by) operations	19	**8,101**	(7,730)
Finance costs paid		**(91)**	(209)
Finance costs received		**205**	-
Net cash inflow/(outflow) from operating activities		**8,215**	(7,939)
Investing activities			
Purchase of intangible assets	8	**(53)**	(243)
Purchase of property, plant and equipment	9	**(211)**	(1,088)
Cash transferred to fellow group undertaking on merger	27	**(1,690)**	-
Net cash outflow from investing activities		**(1,954)**	(1,331)
Financing activities			
Dividends paid		**(7,700)**	-
Repayment of finance lease liabilities		**(346)**	(646)
Net cash outflow from financing activities		**(8,046)**	(646)
Net decrease in cash and cash equivalents	23	**(1,785)**	(9,916)
Cash and cash equivalents at the beginning of the year	23	**1,785**	11,701
Cash and cash equivalents at the end of the year	23	**-**	1,785

UK MAIL EXPRESS PARCELS AND MAIL LIMTED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 March 2010

	Ordinary shares £'000	Restated * Retained earnings £'000	Restated* Total equity £'000
Balance as at 1 April 2008	-	13,176	**13,176**
Employees' share option scheme			
- value of employee services	-	67	**67**
Profit for the financial year	-	7,938	**7,938**
Balance as at 31 March 2009	**-**	**21,181**	**21,181**
Balance as at 1 April 2009	**-**	**21,181**	**21,181**
Dividends paid		**(7,700)**	**(7,700)**
Employees' share option scheme			
- value of employee services	**-**	**56**	**56**
Profit for the financial year	**-**	**4,113**	**4,113**
Balance as at 31 March 2010	**-**	**17,650**	**17,650**

* - see note 3

1 Principal accounting policies

Accounting policies for the year ended 31 March 2010

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 and those IFRS standards as adopted by the European Union and IFRIC interpretations which are effective as at 31 March 2010 The following Standards, Interpretations and Amendments, became effective for and were adopted during the year ended 31 March 2010

	Effective date
IAS 1 (revised), 'Presentation of financial statements'	1 January 2009
IAS 23 (amendment), 'Borrowing costs'	1 January 2009
IAS 32 (amendment), 'Financial instruments Presentation'	1 January 2009
IAS 38 (amendment), 'Intangible assets'	1 January 2009
IFRIC 13, 'Customer loyalty programmes'	1 July 2008
IFRIC 15, 'Agreements for the construction of real estate'	1 January 2009
IFRIC 16, 'Hedges of a net investment in a foreign operation'	1 October 2008
IFRS 1 (amendment), 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements'	1 January 2009
IFRS 2 (amendment), 'Share-based payment'	1 January 2009
IFRS 7 (amendment), 'Financial instruments Disclosures'	1 January 2009
IFRS 8, 'Operating segments'	1 January 2009

The adoption of these standards and interpretations had no material impact on the Company other than those set out below

IAS 1 (revised) - Presentation of financial statements

The revised standard requires non-owner changes in equity to be presented in a performance statement separately from owner changes in equity Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) The Company has elected to present a single statement of comprehensive income The financial statements have been prepared under the revised disclosure requirements

1 Principal accounting policies (continued)

IFRS 2 (amendment) - Share based payment: vesting conditions and cancellations

The principal effect of this amendment is that when an award to an employee under a share option scheme lapses due to cancellation then the full cost of the award will be expensed in the period in which the option lapses It has also been clarified that an individual ceasing to pay contributions is classified as a cancellation Under the previous interpretation the lapsing of the award would have resulted in the fair value of the option charged being reversed in the income statement This interpretation is required to be applied fully retrospectively, and has been accounted for as a change in accounting policy Details of the adjustments arising in relation to the prior periods are set out in note 18

The following Standards, Interpretations and Amendments are effective subsequent to the year end and consequently have not been adopted for the year ended 31 March 2010

	Effective date
IAS 1 (amendment), 'Presentation of financial statements'	1 January 2010
IAS 7 (amendment), 'Statement of cash flows'	1 January 2010
IAS 17 (amendment), 'Leases'	1 January 2010
IAS 18 (amendment to Appendix), 'Revenue'	1 July 2009
IAS 19 (amendment), 'Employee benefits' and IFRIC 14 (amendment), 'The limit on a defined benefit asset, minimum funding requirements and their interaction'	1 January 2009
IAS 27 (amendment), 'Consolidated and separate financial statements'	1 July 2009
IAS 36 (amendment), 'Impairment of assets'	1 January 2010
IAS 38 (amendment), 'Intangible assets'	1 July 2009
IAS 39 (amendment), 'Recognition and measurement' and IFRIC 9 (amendment), 'Reassessment of embedded derivatives'	1 July 2009
IFRIC 16 (amendment), 'Interpretation hedges of a net investment in a foreign operation'	1 July 2009
IFRIC 17, 'Distributions of non-cash assets to owners'	1 July 2009
IFRIC 18, 'Transfers of assets from customers'	1 July 2009
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	1 July 2009
IFRS 2 (amendment), 'Group cash-settled share-based payment transactions'	1 January 2010
IFRS 3 (revised), 'Business combinations'	1 July 2009
IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations'	1 July 2009
IFRS 8 (amendment), 'Operating segments'	1 January 2010

1 Principal accounting policies (continued)

The Directors do not anticipate that the adoption of any of the above standards or interpretations will have a material impact on the Company's financial statements in the period of initial application

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

The critical accounting judgements and the key sources of estimation uncertainty are detailed in note 26

Intangible assets

Intangible assets include acquired computer software licences not part of the operating software acquired with a related piece of hardware These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised on a straight line basis over their estimated useful economic lives, normally three to four years

Costs that are directly associated with development of identifiable and unique software products generated for use by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets These represent the direct employment costs of software developers time spent on relevant projects Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful economic lives typically being three years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value Land is not depreciated Depreciation is provided on a straight-line basis so as to write off the cost of the assets to their residual value over their estimated useful economic lives, using the following rates

Freehold buildings	fifty years
Short leasehold premises	the period of the lease
Motor vehicles, plant and equipment	10% to 33% p a
Computer equipment	14% to 33% p a

1 Principal accounting policies (continued)

The normal expected useful lives and residual values of the major categories of property, plant and equipment are reviewed annually

The carrying value of property, plant and equipment is reviewed at least annually Any resultant impairment losses are charged immediately to the statement of comprehensive income

Assets that are subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use

Inventories

Inventories represented by fuel stocks held by the Company, are stated at the lower of cost and net realisable value

Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business

Finance and operating leases

Leasing agreements, which transfer to the Company substantially all the risks and rewards of ownership of an asset, are treated as if the asset has been purchased outright The assets are included in non-current assets and the capital elements of the leasing commitments are shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give constant periodic rates of charge on the remaining balance outstanding at each accounting period Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets

Leases where the Company does not retain substantially all the risks and rewards of ownership of an asset, are classified as operating leases Operating lease rental payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the term of the lease

1 **Principal accounting policies (continued)**

Revenue

Revenue reflects all sales made by the Company, and is stated net of value added tax Revenue is recognised in the accounting period in which consignments are delivered to customers

Cost of sales

Cost of sales reflects all the direct costs incurred in the collection and delivery of a consignment, including the costs of sub-contracted and employed drivers, linehaul costs, and Royal Mail access costs Cost of sales includes the depreciation cost of mail sortation machines, cages and site equipment

Administrative expenses

Administrative expenses reflect all the establishment and central support costs of the Company, including the remuneration of head office personnel, depreciation of buildings, amortisation of central IT systems, and bad debts

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on the taxable profit for the year Taxable profit differs from the net profit in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

The Company provides deferred income tax using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date

Full provision is made for deferred taxation on all taxable temporary differences Deferred tax assets and liabilities are recognised separately on the balance sheet Deferred tax assets are recognised only to the extent that they are expected to be recoverable

1 Principal accounting policies (continued)

Deferred taxation is recognised in the statement of comprehensive income unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity The deferred tax is released to the statement of comprehensive income at the same time as the taxable transaction is recognised in the statement of comprehensive income

Pension costs

The Company sponsors employees' personal pension plans The assets of the plans are held separately from those of the Company in independently administered funds The pension costs charged in the statement of comprehensive income represent contributions payable by the Company to the plans together with the administration charges of the plans

Foreign currencies

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 of exchange ruling at the balance sheet date All exchange differences arising from trading transactions are dealt with in the statement of comprehensive income

Share-based payments

The parent company, UK Mail Group plc operates several share-based payment schemes on behalf of eligible employees throughout the Group, the largest of which are the SAYE plan, and the long term incentive plan (LTIP) Further details can be found in the financial statements of that company

The costs of equity-settled share-based payments are recognised in the statement of comprehensive income with a corresponding increase in equity over the vesting period as services are provided to the Company The charge is based on the fair value of the equity instrument granted and the number of equity instruments that are expected to vest

The fair value is measured at grant date and takes account of vesting conditions that relate to the market price of the ultimate parent company's shares In order to determine the value of the instrument a pricing model relevant to the type of instrument is used

The costs of cash-settled share-based payments are recognised in the statement of comprehensive income with a corresponding increase in liabilities over the vesting period as services are provided to the Company The charge is based on the fair value of the liability at each reporting date, with any changes in fair value recognised in the statement of comprehensive income

1 **Principal accounting policies (continued)**

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the outflow of resources embodying economic benefits can not be measured with sufficient reliability In accordance with IFRS, contingent liabilities are not recognised as liabilities

Exceptional items

Material and non-recurring items of income and expense are disclosed in the statement of comprehensive income as exceptional items Examples of items which may give rise to disclosure as exceptional items include material gains or losses on the disposal of businesses or non-current assets, material asset impairments, and business reorganisation and restructuring costs

Dividends

Interim dividends are recognised as a distribution from retained earnings in the period in which they are paid

Final dividends are recognised as a distribution from retained earnings in the period in which they are approved and declared by the directors

1 Principal accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument Financial assets are de-recognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires

Trade and other receivables· These are recognised and carried at the original invoice amount less an allowance for any non-collectible amounts Provision is made when there is objective evidence that the Company will not be able to collect the debts Bad debts are written off to the statement of comprehensive income when identified

Cash and cash equivalents: These comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Interest-bearing loans and borrowings All interest-bearing loans and borrowings are initially recognised at fair value plus directly attributable transaction costs After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method Amortised cost is calculated by taking into account any issue costs, and any discount or premium

Trade and other payables: These are recognised and carried at their amortised cost Trade and other payables do not carry any interest

Share capital: Ordinary shares are classified as equity

2 Operations

The revenue and profit before tax, all of which arises in the United Kingdom, is attributable to one activity, the provision of business mail collection and delivery services

3 Operating profit

	2010 £'000	2009 £'000
The following items have been charged in arriving at operating profit		
Employee benefits expense (note 5)	**2,410**	4,567
Depreciation of property, plant and equipment (note 9, 10)		
- Owned assets	**352**	526
- Under finance leases	**255**	511
Amortisation of intangibles (included in administrative expenses) (note 8, 10)		
- Owned assets	**102**	130
- Under finance leases	**100**	271
Operating lease rentals payable	**637**	1,747
Repairs and maintenance expenditure on property, plant and equipment	**238**	477
Trade receivables (recovery) (included in administrative expenses)	**(67)**	(29)
Trade receivables impairment (included in administrative expenses)	**2**	93

Restatement

The results for previous year have been restated to reflect the accounting required following application of the amendment to IFRS 2, 'Share-based payment', effective for accounting periods beginning on or after 1 January 2009 This requires that where an employee voluntarily withdraws from a share based incentive scheme, which in practice is usually a SAYE plan, then the remaining full accounting cost of the award is required to be expensed at that time such that the accounting treatment is the same as for any other cancellation

The following adjustment in respect of share based payments have been included in the statement of comprehensive income for the year ended 31 March 2009, there being no amendment required to the tax charge,

	2009 £'000
Administrative expenses as previously reported	3,715
Increase in share-based payment cost following IFRS 2 amendment	6
Administrative expenses as restated	3,721

The cash flow statement has been adjusted to reduce the 'profit for the year' from continuing operations by the additional share-based payment costs above and to increase the share based payment adjustment As a result there is no net adjustment to the 'net cash

3 Operating profit (continued)

flow generated from operations' (see note 19) Additionally, there is no adjustment to the balance sheet

Services provided by the Company's auditors

	2010	2009
	£'000	£'000
During the year the Company obtained the following services from the Company's auditors		
Audit services	**13**	27
Non-audit services	**-**	-
	13	27

4 Finance income/(costs) – net

	2010	2009
	£'000	£'000
Interest payable on		
Finance leases	**(91)**	(209)
	(91)	209
Interest receivable on		
Intercompany balances	**205**	-
	205	-
Finance income/(costs) - net	**114**	**(209)**

5 Employees and directors

Employee benefits expense for the Company during the year (including executive directors)

	2010 £'000	Restated* 2009 £'000
Wages and salaries	**2,192**	4,034
Social security costs	**146**	418
Post-employment benefits **	**16**	55
Share-based payments (note 18)*	**56**	60
	2,410	4,567

* as restated - see note 3
** Post-employment benefits all relate to defined contribution pension schemes

Average monthly number of persons employed (including executive directors)

	2010 Number	2009 Number
Operations	**130**	140
Administration	**6**	6
	136	146

	2010 £'000	2009 £'000
Key management compensation		
Salaries and short-term employee benefits	**242**	545
Post-employment benefits	**7**	16
Share-based payments	**41**	69
	290	630

The key management figures above include the directors as detailed below

	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	**132**	270
Post-employment benefits	**6**	11
	138	281

5 Employees and directors (continued)

The highest paid director was paid £83,000 during the year (2009 £176,000) Company pension contributions of £3,713 (2009 £7,284) were made to a money purchase scheme The highest paid director exercised options over ordinary shares of 10p each of the ultimate parent company, UK Mail Group plc during the year

Company pension contributions of £11,000 (2009 £11,000) were made in respect of two directors (2008 two directors) to a money purchase pension scheme

Four directors (including the highest paid director) exercised options over shares in the ultimate parent company, UK Mail Group plc, during the year ended 31 March 2010 (2009 no directors)

UK Mail Group plc had a separate long term incentive agreement with Mr Cockburn in relation to his consultancy services Under this, Mr Cockburn was entitled to receive bonuses if the profit of UK Mail Group plc exceeded specified targets within a four year period of the commencement of trading The financial statements for the year ended 31 March 2009 confirmed that Mr Cockburn was entitled to the maximum 100% payout of £400,000, which was settled in June 2009

6 Taxation

Analysis of charge in the year

	2010	2009
	£'000	£'000
Current tax - current year	**1,620**	3,214
Current tax - adjustment in respect of prior years	-	(155)
Total current tax	**1,620**	3,059
Deferred tax (note 15) - current year	**(30)**	98
Deferred tax (note 15) - adjustment in respect of prior years	**(28)**	171
Total deferred tax	**(58)**	269
Taxation	**1,562**	3,328

6 Taxation (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 28% (2009 28%) to the profit before tax are explained below

	2010 **£'000**	2009 £'000
Profit on ordinary activities before tax	**5,675**	11,272
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 28%)	**1,589**	3,156
Effects of:		
Expenses not deductible for tax purposes	**1**	30
Adjustment in respect of prior years	**(28)**	16
Abolition of IBAs	-	126
Total taxation charge	**1,562**	3,328

7 Dividends

	2010 **£m**	2009 £m
Final 2009 dividend paid £77,000 (2009 £nil) per share	**7.7**	nil

In addition the directors are proposing a final dividend in respects of the financial year ending 31 March 2010 of £176,500 51 per share which will be paid to the to the parent company "UK Mail Group Plc" on the 23 August 2010

8 Intangible assets

	Acquired software licences £'000	Internal software developments £'000	Total £'000
Cost			
At 1 April 2009	1,121	339	1,460
Additions	17	36	53
Transferred to fellow group undertaking on merger	(1,138)	(375)	(1,513)
At 31 March 2010	-	-	-
Accumulated amortisation			
At 1 April 2009	886	83	969
Charge for the year	129	73	202
Transferred to fellow group undertaking on merger	(1,015)	(156)	(1,171)
At 31 March 2010	-	-	-
Net book value at 31 March 2010	-	-	-

	Acquired software licences £'000	Internal software developments £'000	Total £'000
Cost			
At 1 April 2008	1,121	96	1,217
Additions	-	243	243
At 31 March 2009	1,121	339	1,460
Accumulated amortisation			
At 1 April 2008	568	-	568
Charge for the year	318	83	401
At 31 March 2009	886	83	969
Net book value at 31 March 2009	235	256	491

9 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold premises £'000	Motor vehicles plant and equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2009	**150**	**665**	**6,522**	**234**	**7,571**
Additions	-	-	**211**	-	**211**
Disposals	-	**(2)**	**(38)**	-	**(40)**
Transferred to fellow group undertaking on merger	**(150)**	**(663)**	**(6,695)**	**(234)**	**(7,742)**
At 31 March 2010	-	-	-	-	-
Accumulated depreciation					
At 1 April 2009	**44**	**193**	**2,234**	**78**	**2,549**
Charge for the year	**8**	**42**	**533**	**24**	**607**
Disposals	-	**(2)**	**(38)**	-	**(40)**
Transferred to fellow group undertaking on merger	**(52)**	**(233)**	**(2,729)**	**(102)**	**(3,116)**
At 31 March 2010	-	-	-	-	-
Net book value at 31 March 2010	-	-	-	-	-

	Freehold land and buildings £'000	Short leasehold premises £'000	Motor vehicles plant and equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2008	150	653	5,571	108	6,482
Additions	-	12	951	126	1,089
At 31 March 2009	150	665	6,522	234	7,571
Accumulated depreciation					
At 1 April 2008	29	109	1,328	46	1,512
Charge for the year	15	84	906	32	1,037
At 31 March 2009	44	193	2,234	78	2,549
Net book value at 31 March 2009	106	472	4,288	156	5,022

10 Assets held under finance leases

Assets held under finance leases have the following net book value

	2010 £'000	2009 £'000
Cost at 1 April	**5,108**	5,108
Accumulated depreciation	**(2,624)**	(2,269)
Transferred to fellow group undertaking on merger	**(2,484)**	-
Net book value at 31 March	**-**	2,839

Included in assets held under finance leases are plant and equipment with a net book value of £nil (2009 £2,712,000) and computer software of £nil (2009 £127,000)

The majority of the leases are for an initial contractual period of seven years, with options to renew for varying periods at fixed rates The interest rate inherent in the lease is fixed at the contract date for the term of the lease

11 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	-	15,325
less provision for impairment	-	(132)
Trade receivables, net of provisions for impairment	-	15,193
Amounts owed by group undertakings*	**17,650**	86,203
Prepayments and accrued income	-	3,614
	17,650	105,010

All carrying amounts of total trade and other receivables are denominated in Sterling, and are due within one year

Trade receivables that are neither past due nor impaired are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations At the year end there are no trade receivables (2009 none) whose terms have been renegotiated and would otherwise be past due or impaired

11 Trade and other receivables (continued)

Impaired receivables mainly relate to debtors in financial difficulty where defaults in payments have occurred, liability for payment is disputed, or debtors have entered into bankruptcy Trade receivables are impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms However, the Company expects a portion of these receivables to be recovered

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above

The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held

*See note 27

Credit risk

Credit risk arises from credit exposures to amounts owed by Group undertakings Given the strong credit rating of the Group the directors consider that the amounts owing to the Company are recoverable in full The maximum credit exposure is thus £17,650,000 at the balance sheet date

The Company's trade receivables are stated after allowances for bad and doubtful debts, an analysis of which is as follows

	2010	2009
	£'000	£'000
At 1 April	-	145
Amount charged through administrative expenses	-	100
Amount utilised	-	(113)
At 31 March	-	132

11 Trade and other receivables (continued)

As at 31 March, the ageing analysis of trade receivables is as follows

	2010	2009
	£'000	£'000
Less than 30 days	-	14,670
Between 30 - 60 days	-	430
Between 60 - 90 days	-	81
More than 90 days	-	12
	-	15,193

As at 31 March 2010, no trade receivables were impaired (2009: £152,000) The amount of related provision was £nil at 31 March 2010 (2009 £132,000) The ageing of these impaired trade receivables is as follows

	2010	2009
	£'000	£'000
Less than 30 days	-	115
Between 30 - 60 days	-	10
Between 60 - 90 days	-	5
More than 90 days	-	22
	-	152

As at 31 March 2010, no trade receivables were past due but not impaired (2009 £2,667,000) The ageing of these trade receivables is as follows

	2010	2009
	£'000	£'000
Less than 30 days	-	2,144
Between 30 - 60 days	-	431
Between 60 - 90 days	-	80
More than 90 days	-	12
	-	2,667

As at 31 March 2010, there were £nil (2009 £nil) trade receivables impaired but not past due for payment

11 Trade and other receivables (continued)

None (2009 none) of the other classes of financial assets within trade and other receivables contain impaired assets

Amounts owed by group undertakings bear interest, and are repayable on demand

12 Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash at bank and in hand	-	1,785

The effective interest rate on the cash and bank balances was nil% (2009 nil%)

13 Borrowings

Current	**2010**	2009
	£'000	£'000
Amounts due within one year or on demand		
Finance lease obligations	-	684
Non-current		
Finance lease obligations (see note 20)	-	2,724

The minimum finance lease payments under finance leases fall due as follows

	2010	2009
	£'000	£'000
Amounts payable under finance leases		
Within 1 year	-	855
Between 1 and 5 years	-	3,001
Over 5 years	-	-
Total minimum lease payments	-	3,856
Future finance charges	-	(448)
Present value of finance leases	-	3,408

14 Trade and other payables

	2010 £'000	2009 £'000
Trade payables	-	11,833
Amounts owed to group undertakings	-	54,941
Other payables	-	1,445
Taxes and social security	-	6,102
Accruals	-	4,063
Deferred income	-	25
	-	78,409

Amounts owed to group undertakings bear interest, and are repayable on demand

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2009 28%)

The movement on the deferred tax account is as shown below

	2010 £'000	2009 £'000
Deferred tax (asset)/liability		
At 1 April	**186**	(85)
Statement of comprehensive income charge/(credit)	**(58)**	271
Transferred to fellow group undertaking on merger	**(128)**	-
At 31 March	-	186

Deferred tax on accelerated capital allowances is calculated on the difference between the accounting net book value of the assets and their carrying amount for tax purposes

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

There are no unrecognised deferred tax assets

16 Provisions

	£'000
Properties	
At 1 April 2009	45
Transferred to fellow group undertaking on merger	(45)
At 31 March 2010	-

The provision for property leases relates to dilapidations on properties under leases expiring within 1 year and is therefore considered current The properties have been inspected by the UK Mail Group Property Manager, and estimates made for the anticipated dilapidation expenditure to be incurred prior to sub-letting, or reversion of the lease

17 Ordinary shares

	2010	2009
	£	£
Authorised, issued, allotted and fully paid		
100 ordinary shares of £1 each	100	100

18 Share-based payments

In order to align the interests of UK Mail Group plc employees with those of the shareholders, share options are awarded to employees under discretionary share incentive plans, and under all employee share plans, as follows

Sharesave Plan

UK Mail Group has offered a SAYE share plan since 1996 to eligible employees, including directors The plan is a Her Majesty's Revenue and Customs (HMRC) approved all-employee share plan HMRC does not permit performance conditions to be attached to the exercise of options Under the plan, participants are granted options over UK Mail Group plc shares Each participant may save up to £250 per month to purchase shares in UK Mail Group plc at a discount For the 2009 grant, the discount was 20% of the market value at the time the option was granted

Long Term Incentive Plan ('LTIP')

Following a decision by the UK Mail Group plc Remuneration Committee an LTIP was introduced in 2004, as a more effective means of incentivising the Company's senior management than the executive share option scheme Under the LTIP the Remuneration

18 Share-based payments (continued)

Committee can grant options over shares in the Company to employees of the Company, with a contractual life of an option being 3 - 10 years

2006 and 2007 LTIP Awards

In order to provide the UK Mail Group plc Remuneration Committee with flexibility to offer competitive awards to senior executives, shareholder approval was sought and granted at the Annual General Meeting held on 11 July 2006 to amend the performance conditions applying to future LTIP awards

40% of an Award is subject to a performance condition based on the annual earnings per share (EPS) growth of the ultimate parent company, UK Mail Group plc For the awards in 2007, 25% (of the 40%) will vest for growth of 15% p a over the three year period from 2007 to 2010, with 100% vesting for growth of 20% p a over that period

60% of an award is determined by the TSR (total shareholder return) performance of the ultimate parent company relative to all the other companies in the FTSE All Share Index (excluding Investment Trusts) at the start of the financial year in which an award is granted over a period of 3 financial years The proportion of the award which may be exercised depends upon the ranking of the ultimate parent company's TSR, whereby 25% (of the 60%) of shares may be exercised if the ultimate parent company achieves median ranking, rising pro-rata to 100% if the ultimate parent company's ranking falls within the top quartile No shares are exercisable if the ultimate parent company's ranking is below the median

2009 Award

A new LTIP plan was approved by shareholders at the Annual General Meeting of UK Mail Group plc held on 15 July 2009, which contains the same award limits as the previous plan The performance conditions were amended such that,

50% of an Award is subject to a performance condition based on the annual earnings per share (EPS) growth of the ultimate parent company, UK Mail Group plc For the awards in 2009, 25% (of the 50%) will vest for growth of 8 5% p a over the three year period from 2009 to 2012, with 100% vesting for growth of 13% p a over that period

50% of an award is determined by the TSR performance of the ultimate parent company relative to all the other companies in the FTSE All Share Index (excluding Investment Trusts) at the start of the financial year in which an award is granted over a period of 3 financial years

18 Share-based payments (continued)

The proportion of the award which may be exercised depends upon the ranking of the ultimate parent company's TSR, whereby 25% (of the 50%) of shares may be exercised if the ultimate parent company achieves median ranking, rising pro-rata to 100% if the ultimate parent company's ranking falls within the top quartile No shares are exercisable if the ultimate parent company's ranking is below the median

To the extent that shares vest, the value of dividends payable over the vesting period will be rolled-up and awarded in shares to successful award holders

Calculation of fair values

For equity-settled share-based transactions, fair values of share options awarded in the financial year are measured at the date of grant of the option using a share pricing option model Where the model is dependent on the ultimate parent company's TSR over a period, the Monte Carlo model is used, in all other circumstances the Black-Scholes model is used Non-market conditions, such as the ultimate parent company meeting earnings per share targets, are not incorporated into the calculation of fair value at the grant date but are reflected in the amount of compensation expense accrued over the vesting period The expected life of options depends on the behaviour of option holders, which is incorporated into the option model consistent with historic observable data

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the option-pricing model used The significant assumptions used to estimate the fair value of the options granted in the financial year are as follows

	LTIP	SAYE
Grant date	15/07/2009	17/07/2009
Share price at grant date	£2 75	£2 85
Exercise price	-	£2 27
Number of employees	4	6
Number of shares granted	69,454	11,264
Vesting period (years)	3	3
Expected volatility	42 3%	40 0%
Option life (years)	3	3
Expected life (years)	3	3
Risk free interest rate	2 3%	2 40%
Expected dividends expressed as a dividend yield	6 3%	6 0%
Fair value per option	£1 85	£0 72
Expected forfeiture (%)	30 0%	N/a

18 Share-based payments (continued)

The risk-free rate was determined from the UK gilts zero-coupon yield curve The expected volatility is estimated by considering the ultimate parent company's historic average share price volatility over similar periods to the expected life of the option under consideration In addition, the expected dividend yield was based at the prevailing rates at each of the grants A reconciliation of option movements over the year to 31 March 2010 is shown below

	2010 Number	**2010 Weighted average exercise price**	2009 Number	2009 Weighted average exercise price
Outstanding as at 1 April	**124,611**	**£0.82**	155,348	£0 67
Granted	**80,718**	**£0.32**	11,249	£2 49
Forfeited	**(42,925)**	**£1.67**	(41,986)	£0 72
Exercised	**(26,222)**	-	-	-
Transferred to fellow group undertaking on merger	**(136,182)**	**£0.41**	-	-
Outstanding as at 31 March	-	-	124,611	£0 82
Exercisable at 31 March	-	-	2,490	£4 18

Options are exercisable as follows

2010

Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life expected years**	**Weighted average remaining life contracted years**
£0 00 - £0 99	-	-	-	-
£2 00 - £2 99	-	-	-	-
£3 00 - £3 99	-	-	-	-
£4 00 - £4 99	-	-	-	-
	-	-	-	-

18 Share-based payments (continued)

	2009			
Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life expected years	Weighted average remaining life contracted years
£0 00 - £0 99	£0 00	93,826	1 0	7 9
£3 00 - £3 99	£2 49	10,494	2 7	2 9
£3 00 - £3 99	£3 69	17,801	1 6	1 9
£4 00 - £4 99	£4 18	2,490	1 6	3 2
	£0 82	124,611	1 2	6 5

The weighted average share price during the year for options exercised was £2 83 No options were exercised during the previous year The total charge for the year relating to employee share-based payments was £56,000 (2009 £60,000 as restated), £56,000 (2009 £67,000) of which related to equity-settled share-based payment transactions and £nil (2009 £19,000 credit) to cash-settled share-based transactions

19 Cash flow from operating activities

The reconciliation of profit to cash generated from/(used by) operations is as follows

	2010	2009
	£'000	£'000
Profit for the year	**5,675**	7,938
Taxation	**-**	3,328
Finance costs payable	**91**	209
Finance income receivable	**(205)**	-
Depreciation and amortisation	**809**	1,438
Share-based payments	**56**	79
Increase in trade and other receivables	**(26,128)**	(37,960)
Increase in trade and other payables	**27,803**	17,203
Increase in provisions	**-**	35
Cash generated from/(used by) operations	**8,101**	(7,730)

20 Financial instruments

Short term receivables and payables

Short term receivables and payables have been excluded from the analysis below, as management consider the fair value to be the same as the book value

Interest rate risk profile of financial liabilities

The interest risk profile of the Company's financial liabilities at 31 March 2010 was

	2010		2009	
	Book value £'000	**Fixed rate £'000**	Book value £'000	Fixed rate £'000
Finance leases	-	-	3,408	3,408

All financial liabilities are sterling denominated

All the Company's payables falling due within one year (other than bank and other borrowings) are excluded from the above table either due to the exclusion of short term items or because they do not meet the definition of a financial liability, such as tax balances

Maturity profile of financial liabilities

The maturity profile of the carrying amount of the Company's non-current financial liabilities at the end of the year was as follows

	2010	2009
	£'000	£'000
Between 1 and 2 years	-	723
Between 2 and 5 years	-	2,001
	-	2,724

Payables due within one year are excluded from the above table as they are of a short term nature

Borrowing facilities

The Company does not have a borrowing facility as at 31 March 2010 At 31 March 2009 the Company had an undrawn borrowing facility of £5m under a group arrangement

20 Financial instruments (continued)

Fair value of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and fair values of the Company's financial assets and liabilities at 31 March 2010 and 2009 Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest Where available, market values have been used to determine fair values Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates Set out below is a summary of the methods and assumptions used for each category of financial instrument

	2010		2009	
	Book value	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Primary financial instrument held or issued to finance the Company's operations:				
Finance leases	-	-	(3,408)	(3,267)
Cash at bank and in hand	-	-	1,785	1,785

Summary of methods and assumptions

The fair value of finance leases is based on discounting the cash flows at prevailing interest rates

Financial instruments held for trading purposes

The Company does not trade in financial instruments

Currency analysis of monetary net assets

All monetary assets and liabilities are sterling denominated

21 Contingent liabilities

As at 31 March 2010, the Company had no contingent liabilities At 31 March 2009, the Company, together with fellow subsidiaries of UK Mail Group plc, acted as a guarantor under an undrawn £5m group borrowing facility

22 Capital and other financial commitments

	2010 £'000	2009 £'000
Contracts placed for future capital expenditure not provided in the financial statements	-	-

23 Analysis of net cash/(debt)

	At 1 April 2008 £'000	Cash Flow £'000	At 31 March 2009 £'000	Cash Flow £'000	At 31 March 2010 £'000
Cash and cash equivalents	11,701	(9,916)	1,785	(1,785)	-
Finance leases	(4,054)	646	(3,408)	3,408	-
Net cash/(debt)	**7,647**	**(9,270)**	**(1,623)**	**1,623**	**-**

24 Related party transactions

Key management compensation is disclosed in note 5

Intercompany balances arise from recharges of costs from and to other group companies, together with movements in financing Year end balances arising from these recharges are as follows

	2010 £'000	2009 £'000
Receivable from related parties		
Parent undertaking	17,650	86,179
Fellow group undertakings	-	24
Payable to related parties		
Fellow group undertakings	-	(54,941)

The following transactions were carried out during the year with related parties

	2010	2009
Recharges of costs from fellow subsidiaries	(33,960)	(49,084)
Recharges of costs to fellow subsidiaries	5,897	3,076
Financing received from parent company	24,025	41,988
Financing received from fellow group undertaking	-	25,963
Transferred to fellow group undertaking on merger	17,650	-
	13,612	21,943

25 Ultimate parent undertaking and controlling party

UK Mail Group plc, a company incorporated in Great Britain, is the immediate and ultimate parent undertaking and the ultimate controlling party

The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is UK Mail Group plc

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

26 Critical accounting judgements and key sources of estimation uncertainty

The Company's accounting policies are set out in note 1 to these financial statements Management is required to exercise significant judgement in the application of these policies Areas which management believes require the most critical accounting judgements are as follows (apart from those policies involving estimation which are outlined in (b) below)

a) Critical accounting judgements in applying the Company's accounting policies

Exceptional items

The directors consider that items of income or expense which are material by virtue of their nature and amount should be disclosed separately if the financial statements are to fairly present the financial performance of the Company The directors label these items collectively as 'exceptional items'

Determining which transactions are to be considered exceptional is often a subjective matter However, circumstances that the directors believe would give rise to exceptional items, requiring separate disclosure would include,

(i) loss or cessation of a material contract representing 5% or more of the Company's revenues,

(ii) disposal of non-current assets where the profit or loss represents 5% or more of the Company's profit before tax,

(iii) disposal of investments,

(iv) organisational or restructuring programmes

26 Critical accounting judgements and key sources of estimation uncertainty (continued)

Leases

In determining whether a lease is a finance lease or an operating lease, management is required to evaluate where the substantial risks and rewards reside Where management conclude that the arrangement constitutes a finance lease, then it is necessary to both calculate the proportion of the payment which should be treated as finance cost and capital repayment, and to judge the likely period of use at the inception of the agreement

b) Key sources of estimation uncertainty

Useful economic lives of property, plant and equipment

Depreciation of property, plant and equipment is charged so as to write down the value of those assets to their residual value over their respective useful lives The directors are required to assess both the useful economic lives of the assets so that depreciation is charged on a systematic and proportionate basis, and the probable residual values

Recoverability of trade receivables

Trade receivables are recorded net of provisions for bad debts and credit notes In evaluating the required provision, the directors consider debtor specific circumstances, in addition to historical trends

27 Assets transferred to fellow group undertaking on merger

As explained in the Directors' Report the Company was until 23 September 2009 known as 'UK Mail Ltd' and was actively involved in the operation of business mail collection and delivery services as part of the parent company's group

In September 2009, the parent group began a process of restructuring which principally involved the merger of its mail collection and delivery services operation with its parcel collection and delivery services operation, and as a result the entire assets and activities of this Company, then known as 'UK Mail Ltd' , were merged into the company formerly known as 'Business Post Ltd'

Following the merger, the merged 'Business Post Ltd' changed its name to UK Mail Ltd

27 Assets transferred to fellow group undertaking on merger (continued)

The net assets transferred from this company to the then named 'Business Post Ltd' on the 23 September 2009 merger of the two were as follows,

	Assets transferred on merger
	£'000
Non-current assets	
Intangible assets	342
Property, plant and equipment	4,626
Total non-current assets	4,968
Current assets	
Trade and other receivables	
Trade receivables	131,138
Cash and cash equivalents	1,690
Total trade and other receivables	132,828
Current liabilities	
Borrowing	(742)
Trade and other payables	(106,212)
Current tax liabilities	(10,699)
Provisions	(45)
Total trade and other payables	(117,698)
Net current assets	20,098
Non-current liabilities	
Borrowings	(2,320)
Deferred tax liabilities	(128)
Net assets transferred	17,650