UK MAIL LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2009

Company registration number: 02072003

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

UK Mail Ltd is a private limited company incorporated on 7th November 1986 under English law and domiciled in England. On 16th March 2003, the Company was wholly acquired by Business Post Group plc ('Group'), a public limited company incorporated and domiciled in England and listed on the London Stock Exchange (LSE:BPG).

The principal activity of the Company is the operation of business mail collection and delivery services.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Pre-tax profits of £11,272k (2008: £9,747k) have been achieved on revenue of £164,511k (2008: £137,307k). The directors consider the results to be satisfactory.

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. As a result volumes handled rose 33% to 2,322m and revenues rose 19.8% to £164.5m. The Company now enjoys a market share, by volume of mail collected in the UK of some 17%, compared to 11% a year ago.

UK Mail operating profits were up 14.9% to £11,481k (2008: £9,992k), reflecting the good revenue growth offset by a slight decrease in the operating margin to 7.0% (2008: 7.3%).

The continued focus on cash management resulted in a 6.0 day reduction in debtor days to 25.7 days (2008: 31.7 days).

Importantly, some 70% of our mail volume is based on delivering regular statements or statutory notifications and is therefore less exposed to fluctuations in levels of economic activity. However, the volume of other more discretionary mail, such as direct marketing material, has inevitably been impacted as a result of the economic slowdown.

We continue to see good growth prospects for our mail business. The primary opportunities lie through existing customers providing us with more of their mail volumes, new customers being attracted to the services we currently offer, and the development of new products and service that will further increase the proportion of the total UK mail market available to us.

Following publication of the independent Hooper Review of the UK postal services sector, the resultant Postal Services Bill is currently progressing through parliament. The Bill's proposals are designed to create a stronger and more efficient Royal Mail, an outcome that we believe will be of significant benefit to the UK mail industry as a whole.

FINANCIAL AND OPERATIONAL RISK MANAGEMENT

As part of the Business Post Group of companies, 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 Group 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 manuals;
- 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 Group Board has reviewed the effectiveness of the internal control systems during the period covered by the accounts and up to the date of the approval of the accounts. This review covered all controls, including financial, operational and compliance controls and risk management.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Business Post Group 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 Group's and the Company's Boards.

The primary risks and uncertainties facing the business which could have a material adverse impact on the Company include:

Market risk

Overall, since the vast majority of the Company's activities are provided to UK businesses, the fortunes of the Company are linked to the general health of the UK economy. The Company's exposure is limited by being spread across a wide range of customers. No customer accounts for more than 9% of revenue.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to trade receivables.

Cash and cash equivalents held by the Company include bank balances with a maturity of one week or less. The credit risk on these liquid funds is limited because in all cases the counterparties are banks with high credit ratings confirmed by international credit-rating agencies.

The Company has a significant concentration of credit risk to the transportation sector, although the Company's exposure is limited by being spread across a wide range of customers. The largest customer accounts for less than 9% of revenue. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence and strict credit control of outstanding amounts. Trade credit insurance is employed to protect any significant exposure to bad debts.

Regulatory risk

The UK mail market is regulated by the Postal Services Commission ('Postcomm'), under the Postal Services Act 2000. Their key job is to ensure that licensed postal operators, including Royal Mail, meet the needs of their customers throughout the UK. As such, they have responsibility for licensing postal operators (for mail costing less than £1 to deliver and weighing less than 350 grams), and for ensuring that competition exists in the mail market.

On 16 December 2008 the Independent Review of the Postal Services Sector in the UK ('the Hooper Review') published its findings and recommendations, which the government accepted in full. The resultant Postal Services Bill 2009 includes provision for the transfer of regulatory responsibility for postal services to Ofcom, and the subsequent abolition of Postcomm at some point in the 2009/10 business year. Until the Postal Services Bill receives Royal Ascent, and responsibility is vested in Ofcom, Postcomm remains responsible for postal regulation.

Price risk

Pricing is determined through reference to the contractual agreement that the Company has with Royal Mail. These terms are monitored by Postcomm.

Interest rate risk

The Company holds net cash balances. Interest does not accrue on these balances.

The Company also holds interest-bearing liabilities in the form of finance leases, with interest charges fixed at the inception of the lease.

Short-term financing is provided by the parent Company, with no interest charged to the Company. As a result the Company is not exposed to any interest rate risk.

Liquidity risk

The Board reviews both the long and short-term financing requirements of the Company to ensure that there are sufficient available funds both for the day-to-day operations of the Company and for planned capital investments.

At the year end, the Business Post Group of companies had undrawn borrowing facilities of £5m (2008: £12m) under a facility expiring 31 December 2009.

Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Foreign exchange risk

The Company is not significantly exposed to the effects of fluctuations in exchange rates since all income is in sterling and costs denominated in foreign currency, principally the euro, represent less than 1% of all expenditure.

KEY PERFORMANCE INDICATORS (KPI's)

A number of performance measures are used to assess the development, underlying business performance and position of the Company. These are used collectively, and are periodically reviewed to ensure that they remain appropriate and meaningful measures of the Company's performance.

Financial

- Revenue growth
- Mail volumes
- Operating profit
- Operating margin
- Debtor days

These are all discussed in the section entitled 'Review of business and future developments' above.

Further performance measures relate to the success and safety of our people and environmental performance, including accident rates, health and safety compliance, and waste recycling. The Company is currently developing our reporting systems and expects to report on these in future years.

RESULTS AND DIVIDENDS

The Company's profit for the financial year was £7,944k (2008: £6,804k). No interim dividend was paid during the year (2008: £nil). The directors recommend the payment of a final dividend of £77,000 per share amounting to £7.7m payable 10 July 2009 (2008: £nil).

The profit for the year of £7,944k (2008: £6,804k) has been transferred to reserves.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable donations (2008: £nil) during the year. No political donations were made (2008: £nil).

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 http://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 2009, the Company had 25.1 days (2008: 33.3 days) purchases outstanding in trade payables.

EMPLOYMENT POLICY

The Company's policy is to maintain as far as practicable, close consultations with employees on matters likely to affect their interests and, to this end, the ultimate parent company established an Employee Consultative Group in April 2003. The Company is an equal opportunities employer and holds an Investors in People certificate.

The Company's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities, and the retention and retraining of employees who also become disabled during their employment.

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
S Glew
P Kane
I Paterson
S Patrick

Charisse Biddulph resigned as Company Secretary on 30 January 2009. A replacement Company Secretary has not been appointed as permitted by s270 of the Companies Act 2006.

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 annual 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. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state that the financial statements comply with IFRSs (as adopted by the European Union); and prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for 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

As a result of an elective resolution, the Company has dispensed with the holding of an annual general meeting under Section 366A of the Companies Act 1985 and dispensed with the obligation to appoint auditors annually under Section 386 of the Companies Act 1985.

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

On behalf of the board

S Glew
Director
8 July 2009

INDEPENDENT AUDITORS' REPORT

for the year ended 31 March 2009

We have audited the financial statements of UK Mail Ltd for the year ended 31 March 2009, which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
8 July 2009

UK MAIL LTD

INCOME STATEMENT

for the year ended 31 March 2009

	Notes	**2009 £'000**	2008 Restated * £'000
Revenue	2	**164,511**	137,307
Cost of sales		**(149,315)**	(122,334)
Gross profit		**15,196**	14,973
Administrative expenses		**(3,715)**	(4,981)
Operating profit	3	**11,481**	9,992
Finance costs payable	4	**(209)**	(245)
Profit before taxation		**11,272**	9,747
Taxation	6	**(3,328)**	(2,943)
Profit for the year		**7,944**	6,804

* see note 3

The profit for the year arises from the Company's continuing activities, and is wholly attributable to equity holders of the Company.

UK MAIL LTD

BALANCE SHEET

as at 31 March 2009

	Notes	2009 £'000	2008 £'000
ASSETS			
Non-current assets			
Intangible assets	7	491	649
Property, plant and equipment	8	5,022	4,970
Deferred tax assets	14	-	85
		5,513	5,704
Current assets			
Trade and other receivables	10	105,010	67,063
Cash and cash equivalents	11	1,785	11,701
		106,795	78,764
LIABILITIES			
Current liabilities			
Borrowings	12	(684)	(646)
Trade and other payables	13	(78,409)	(61,206)
Current tax liabilities		(9,079)	(6,022)
Provisions	15	(45)	(10)
		(88,217)	(67,884)
Net current assets		18,578	10,880
Non-current liabilities			
Borrowings	12	(2,724)	(3,408)
Deferred tax liabilities	14	(186)	-
Net assets		21,181	13,176
Shareholders' equity			
Ordinary shares	16	-	-
Retained earnings		21,181	13,176
Total shareholders' equity		21,181	13,176

The financial statements on pages 6 to 23 were approved by the board of directors on 8 July 2009 and were signed on its behalf by:

S Glew
Director

The related notes on pages 10 to 23 form part of these financial statements.

UK MAIL LTD

CASH FLOW STATEMENT

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	18	(7,730)	11,669
Finance costs paid		(209)	(245)
Net cash (outflow)/inflow from operating activities		(7,939)	11,424
Cash flows from investing activities			
Purchase of intangible assets	7	(243)	(261)
Purchase of property, plant and equipment	8	(1,088)	(390)
Net cash (outflow)/inflow from investing activities		(1,331)	(651)
Cash flows from financing activities			
Repayment of finance lease liabilities		(646)	(611)
Net cash (outflow)/inflow from financing activities		(646)	(611)
Net (decrease)/increase in cash and cash equivalents	22	(9,916)	10,162
Cash and cash equivalents at the beginning of the year	22	11,701	1,539
Cash and cash equivalents at the end of the year	22	1,785	11,701

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 March 2009

	Ordinary shares £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance as at 1 April 2007	-	6,502	**6,502**
Employees' share option scheme:			
- value of employee services	-	(130)	**(130)**
Profit for the financial year	-	6,804	**6,804**
Balance as at 31 March 2008	**-**	**13,176**	**13,176**
Balance as at 1 April 2008	-	**13,176**	**13,176**
Employees' share option scheme:			
- value of employee services	-	**61**	**61**
Profit for the financial year	-	**7,944**	**7,944**
Balance as at 31 March 2009	**-**	**21,181**	**21,181**

1 Principal accounting policies

Accounting policies for the year ended 31 March 2009

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, 1985 and those International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective as at 31 March 2009 ('IFRS'). The following Standards, Interpretations and Amendments, which became effective for and were adopted during the year ended 31 March 2009, had no material impact on the Company's results or financial position:

	Effective date
IFRIC 12 'Service Concession Arrangements'	1 January 2008
IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008

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 2009. Application of these is not expected to result in a material change to the reported Company's results or financial position.

	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 36 (amendment) 'Intangible assets'	1 January 2009
IAS 39 (amendment) 'Recognition and measurement'	1 July 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 3 (revised) 'Business combinations'	1 July 2009
IFRS 5 (amendment) 'Non-current assets held-for-sale and discontinued operations'	1 July 2009
IFRS 8 'Operating segments'	1 January 2009

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.

The financial statements have been prepared on a going concern basis.

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 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. 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 properties	the period of the lease
Motor vehicles, plant and equipment	10% to 33%
Computer equipment	14% to 33%

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 income statement.

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.

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 fixed 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 economic 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 income statement on a straight line basis over the term of the lease.

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 Royal Mail.

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 income statement 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.

Deferred taxation is recognised in the income statement 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 income statement at the same time as the taxable transaction is recognised in the income statement.

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 income statement 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 income statement.

Share-based payments

The parent company, Business Post 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 income statement 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 income statement 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 income statement.

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 income statement 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 fixed 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.

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 income statement 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 payables do not carry any interest.

Share capital: Ordinary shares are classified as equity.

2 Segmental information

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.

Accordingly, no segmental information for business segment or geographical segment is required.

3 Operating profit

	2009 £'000	2008 £'000
The following items have been charged in arriving at operating profit:		
Employee benefits expense (note 5)	4,561	4,499
Depreciation of property, plant and equipment (note 8, 9)		
- Owned assets	526	355
- Under finance leases	511	540
Amortisation of intangibles (included in administrative expenses) (note 7, 9)		
- Owned assets	130	39
- Under finance leases	271	286
Operating lease rentals payable		
- Plant and machinery	186	187
- Other	1,561	1,993
Repairs and maintenance expenditure on property, plant and equipment	477	402
Trade receivables impairment (included in administrative expenses)	64	120

Restatement

During the year the Company reviewed the categorisation of depreciation costs. As a result, £1,113k of depreciation cost which in the results for the year ended 31 March 2008 had previously been included in administrative expenses, has been reclassified within cost of sales, reflecting the purpose in which these assets are used. Note 1 provides further details.

Services provided by the Company's auditors

	2009 £'000	2008 £'000
During the year the Company obtained the following services from the Company's auditors at costs as detailed below:		
Audit services	27	25
Non-audit services	-	7
	27	32

4 Finance costs payable

	2009 £'000	2008 £'000
Finance lease interest payable	209	245

5 Employees and directors

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

	2009 £'000	2008 £'000
Wages and salaries	4,034	3,767
Social security costs	418	395
Post-employment benefits *	55	48
Share-based payments (note 17)	54	289
	4,561	4,499

* Post-employment benefits all relate to defined contribution pension schemes

	2009 Number	2008 Number
Average monthly number of persons employed (including executive directors)		
Operations	140	135
Administration	6	6
	146	141

	2009 £'000	2008 £'000
Key management compensation		
Salaries and short-term employee benefits	545	456
Post-employment benefits	16	14
Share-based payments	69	260
	630	730

The key management figures above include the directors as detailed below :

	2009 £'000	2008 £'000
Directors' emoluments		
Aggregate emoluments	270	271
Post-employment benefits	11	11
	281	282

The highest paid director was paid £176,000 during the year (2008: £155,000).

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

No directors exercised any options during the year ended 31 March 2009. During the year ended 31 March 2008, one director exercised options over 284 shares of 10p each of the ultimate parent company, Business Post Group plc.

Business Post 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 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 2008.

6 Taxation

Analysis of charge in the year

	2009 £'000	2008 £'000
Current tax - current year	3,214	3,108
Current tax - adjustment in respect of prior years	(155)	(19)
Total current tax	3,059	3,089
Deferred tax (note 14) - current year	98	(144)
Deferred tax (note 14) - adjustment in respect of prior years	171	(2)
Total deferred tax	269	(146)
Taxation	3,328	2,943

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 28% (2008: 30%) to the profit before tax are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	11,272	9,747
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008:30%)	3,156	2,924
Effects of:		
Expenses not deductible for tax purposes	30	34
Adjustment in respect of prior years	16	(21)
Abolition of IBAs	126	-
Credit in respect of rate change	-	6
Total tax charge	3,328	2,943

7 Intangible assets

	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

	Acquired software licences £'000	Internal software developments £'000	Total £'000
Cost			
At 1 April 2007	956	-	956
Additions	165	96	261
At 31 March 2008	1,121	96	1,217
Accumulated amortisation			
At 1 April 2007	243	-	243
Charge for the year	325	-	325
At 31 March 2008	568	-	568
Net book value at 31 March 2008	553	96	649

All amortisation charges in the year have been charged through administrative expenses.

8 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 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

	Freehold land and buildings £'000	Short leasehold premises £'000	Motor vehicles plant and equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2007	150	644	5,196	102	6,092
Additions	-	9	375	6	390
At 31 March 2008	150	653	5,571	108	6,482
Accumulated depreciation					
At 1 April 2007	14	23	568	12	617
Charge for the year	15	86	760	34	895
At 31 March 2008	29	109	1,328	46	1,512
Net book value at 31 March 2008	121	544	4,243	62	4,970

9 Assets held under finance leases

Assets held under finance leases have the following net book value:

	2009 £'000	2008 £'000
Cost at 1 April	5,108	5,108
Aggregate depreciation	(2,269)	(1,487)
Net book value at 31 March	2,839	3,621

Included in assets held under finance leases are plant and equipment with a net book value of £2,712,000 (2008: £3,223,000) and computer software of £127,000 (2008: £398,000).

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.

10 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	15,325	18,148
less: provision for impairment	(132)	(145)
Trade receivables, net of provisions for impairment	15,193	18,003
Amounts owed by group undertakings	86,203	44,196
Prepayments and accrued income	3,614	4,864
	105,010	67,063

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

The Company does have a significant concentration of credit risk, with approximately 26% of the Company's revenues derived from the telecommunications sector, 16% from Government and other public bodies, and 14% from financial institutions. However, trade credit insurance is employed to protect any significant exposure to bad debts.

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 (2008: none) whose terms have been renegotiated and would otherwise be past due or impaired.

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.

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

	2009	2008
	£'000	£'000
At 1 April	145	79
Amount charged through administrative expenses	100	120
Amount utilised	(113)	(54)
At 31 March	132	145

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

	2009	2008
	£'000	£'000
Less than 30 days	14,670	17,675
Between 30 - 60 days	430	595
Between 60 - 90 days	81	86
More than 90 days	12	(353)
	15,193	18,003

As at 31 March 2009, trade receivables of £152,000 (2008: £171,000) were impaired. The amount of related provision was £132,000 at 31 March 2009 (2008: £145,000). The ageing of these impaired trade receivables is as follows:

	2009	2008
	£'000	£'000
Less than 30 days	115	167
Between 30 - 60 days	10	8
Between 60 - 90 days	5	1
More than 90 days	22	(5)
	152	171

As at 31 March 2009, trade receivables of £2,667,000 (2008: £4,691,000) were past due but not impaired. The ageing of these trade receivables is as follows:

	2009	2008
	£'000	£'000
Less than 30 days	2,144	4,359
Between 30 - 60 days	431	602
Between 60 - 90 days	80	88
More than 90 days	12	(358)
	2,667	4,691

As at 31 March 2009, there were £nil (2008: £nil) trade receivables impaired but not past due for payment.

None (2008: none) of the other classes of financial assets within trade and other receivables contain impaired assets.

Amounts owed by group undertakings do not bear interest, and are repayable on demand.

11 Cash and cash equivalents

	2009	2008
	£'000	£'000
Cash at bank and in hand	1,785	11,701

The effective interest rate on the cash and bank balances was nil% (2008: nil%)

12 Borrowings

Current	2009 £'000	2008 £'000
Amounts due within one year or on demand:		
Finance lease obligations	684	646
Non-current		
Finance lease obligations (see note 19)	2,724	3,408

The present value of the minimum finance lease payments is as follows:

Finance lease minimum payments	2009 £'000	2008 £'000
Less than 1 year	855	855
Between 1 and 5 years	3,001	3,418
Over 5 years	-	438
Total minimum lease payments	3,856	4,711
Future finance charges	(448)	(657)
Present value of finance leases	3,408	4,054

13 Trade and other payables

	2009 £'000	2008 £'000
Trade payables	11,833	15,385
Amounts owed to group undertakings	54,941	34,877
Other payables	1,445	356
Other taxes and social security payable	6,102	6,267
Accruals	4,063	3,416
Deferred income	25	905
	78,409	61,206

Amounts owed to group undertakings do not bear interest, and are repayable on demand.

14 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 28%).

The movement on the deferred tax account is as shown below:

Deferred tax (asset)/liability	2009 £'000	2008 £'000
At 1 April	(85)	61
Income statement charge/(credit)	271	(146)
At 31 March	186	(85)

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.

The 2008 Finance Act included provisions to phase out Industrial Building Allowances over a period of 4 years to 31 March 2011. This has resulted in a one-off deferred tax charge to the income statement of £126,000 (2008: £nil).

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.

15 Provisions

Properties	£'000
At 1 April 2008	10
Income statement charge	35
At 31 March 2009	45

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 Business Post Group Property Manager, and estimates made for the anticipated dilapidation expenditure to be incurred prior to sub-letting, or reversion of the lease.

16 Ordinary shares

	2009	2008
	£	£
Authorised, issued, allotted and fully paid		
100 (2008: 100) ordinary shares of £1 each	100	100

17 Share-based payments

In order to align the interests of Business Post Group employees with those of the shareholders, share options are awarded to employees under discretionary share incentive plans, and employees under all-employee share plans, as follows:

Sharesave Plan

Business Post Group has offered a SAYE share plan since 1996 to eligible employees, including directors. The plan is an Inland Revenue approved all-employee share plan. The Inland Revenue does not permit performance conditions to be attached to the exercise of options. Under the plan, participants are granted options over Business Post Group plc shares. Each participant may save up to £250 per month to purchase shares in Business Post Group plc at a discount. For the 2008 grant, the discount was 20% of the market value at the time the option was granted.

2005 LTIP Awards

Awards may be exercised determined primarily by reference to the Total Shareholder Return ("TSR") performance of the ultimate parent company, Business Post Group plc, over a period of 3 years. Under this condition, the ultimate parent company's TSR is measured against the TSR of all the other companies in the Support Services sector listed in the FTSE All-Share Index 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 10% 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 10%. No shares are exercisable if the ultimate parent company's ranking is below the median.

The exercise of awards is also subject to the condition that the growth in the ultimate parent company's earnings per share shall exceed the increase in the index of retail prices from the date of grant by more than 3% p.a.

Additionally, exercise of an option is subject to continued employment within the Business Post Group of companies, with settlement in the form of shares.

2006 and 2007 LTIP Awards

In order to provide the Business Post 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 all 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, Business Post 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 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.

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:

	SAYE
Grant date	18/07/2008
Share price at grant date	£2.90
Exercise price	£2.49
Number of employees	10
Number of shares granted	11,249
Vesting period (years)	3
Expected volatility	44.0%
Option life (years)	3
Expected life (years)	3
Risk free interest rate	5.04%
Expected dividends expressed as a dividend yield	4.0%
Fair value per option	£0.92
Expected forfeiture (%)	30.0%

The risk-free rate was determined from the UK gilts zero-coupon yield curve. The expected volatility is estimated by considering the historic average share price volatility of Business Post Group plc shares 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 2009 is shown below:

	2009 Number	**2009 Weighted average exercise price**	2008 Number	2008 Weighted average exercise price
Outstanding as at 1 April	**155,348**	**£0.67**	109,700	£0.91
Granted	**11,249**	**£2.49**	72,285	£0.44
Forfeited	**(41,986)**	**£0.72**	(23,512)	£0.64
Exercised	**-**	**-**	(3,125)	3.98
Outstanding as at 31 March	**124,611**	**£0.82**	155,348	£0.67
Exercisable at 31 March	**2,490**	**£4.18**	2,490	£4.18

Options are exercisable as follows:

	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**
£2.00 - £2.99	**£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**

	2008			
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	127,554	2.0	8.5
£3.00 - £3.99	£3.67	24,311	2.5	2.8
£4.00 - £4.99	£4.40	3,483	0.6	3.2
	£0.67	155,348	2.0	7.5

No options were exercised during the year. The weighted average share price during the year for options exercised during the year ended 31 March 2008 was £4.63. The total charge for the year relating to employee share-based payments was £54,000 (2008: £289,000), £73,000 (2008: £80,000) of which related to equity-settled share-based payment transactions and £19,000 credit (2008: £209,000 charge) to cash-settled share-based transactions.

18 Cash flow from operating activities

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

	2009 £'000	2008 £'000
Profit for the year	**7,944**	6,804
Taxation	**3,328**	2,943
Finance costs payable	**209**	245
Depreciation and amortisation	**1,438**	1,220
Share-based payments	**73**	(130)
(Increase)/decrease in trade and other receivables	**(37,960)**	(30,906)
Increase/(decrease) in trade and other payables	**17,203**	31,483
Increase/(decrease) in provisions	**35**	10
Cash (used in)/generated from operations	**(7,730)**	11,669

19 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 2009 was:

	2009		2008	
	Book value £'000	**Fixed rate £'000**	Book value £'000	Fixed rate £'000
Finance leases	**3,408**	**3,408**	4,054	4,054

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:

	2009 £'000	2008 £'000
Between one and two years	**723**	684
Between two and five years	**2,001**	2,294
After five years	**-**	430
	2,724	3,408

Financial liabilities comprise finance leases (note 12). Payables due within one year are excluded from the above table as they are of a short term nature.

Borrowing facilities

The Company has undrawn borrowing facilities of £5m under a group arrangement (2008: £12m). These facilities are in place until 31 December 2009.

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 2009 and 2008. 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.

	2009		2008	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Primary financial instrument held or issued to finance the Company's operations:				
Finance leases	**(3,408)**	**(3,267)**	(4,054)	(3,855)
Cash at bank and in hand	**1,785**	**1,785**	11,701	11,701

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.

20 Contingent liabilities

The Company, together with fellow subsidiaries of Business Post Group plc, acts as a guarantor under an undrawn £5m group borrowing facility (2008: £12m).

21 Capital and other financial commitments

	2009 £'000	2008 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**-**	56

22 Analysis of net (debt)/cash

	At 1 April 2007 £'000	Cash Flow £'000	At 31 March 2008 £'000	Cash Flow £'000	At 31 March 2009 £'000
Cash and cash equivalents	1,539	10,162	**11,701**	**(9,916)**	**1,785**
Finance leases	(4,665)	611	**(4,054)**	**646**	**(3,408)**
Net (debt)/cash	(3,126)	10,773	**7,647**	**(9,270)**	**(1,623)**

23 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:

	2009 £'000	2008 £'000
Receivable from related parties		
Parent undertaking	**86,179**	44,191
Fellow group undertakings	**24**	5
Payable to related parties		
Fellow group undertakings	**(54,941)**	(34,877)

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

Recharges of costs from fellow subsidiaries	**(49,084)**	(50,218)
Recharges of costs to fellow subsidiaries	**3,076**	10,417
Financing received from parent company	**41,988**	40,114
Financing received from fellow subsidiaries	**25,963**	-
	21,943	313

24 Ultimate parent undertaking and controlling party

Business Post Group plc, a company incorporated in Great Britain, is the immediate and ultimate parent undertaking and the ultimate controlling party.

P Kane, a director of the Company and of the parent undertaking, together with members of his close family and certain family trusts, the beneficiaries of which are persons connected with P Kane, control directly and indirectly 45.8% of the issued share capital of the parent undertaking. In addition, his brother M Kane controls a further 12.6% of the issued share capital of the parent undertaking.

The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is Business Post 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.

25 Post balance sheet events

The directors are proposing a final dividend in respect of the financial year ended 31 March 2009 of £77,000 per share amounting to £7.7m, which if approved will be paid on 10 July 2009.

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 property, plant and equipment 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.

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.