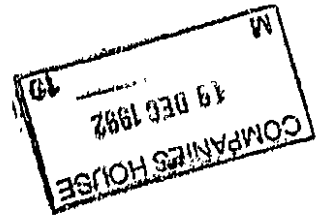


2154540

POST OFFICE COUNTERS LTD

ACCOUNTS

For the year ended 29 March 1992



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Post Office Counters Ltd
Registered in England
Number 2154540

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting this report and audited accounts for the year ended 29 March 1992.

1. Results and Dividend

Profit for the year was £16.1 million. The Directors do not propose a dividend. The movements in reserves are given on page 6 of the Accounts.

2. Activities

Post Office Counters Ltd is a wholly owned subsidiary undertaking of the Post Office, and provides a unique nationwide retail service as the leading provider of benefits distribution, postal services, banking and bill payment facilities. It operates through some 20,000 outlets at main and agency offices to meet the needs of customers in the community on behalf of its public and private sector clients.

3. Review of Future Developments

Post Office Counters Ltd faces intense competition for its core business from new products and competing service delivery mechanisms. To meet this challenge the company seeks continuous improvement in service to customers and clients. This is to be done by offering more choice with new business, and to provide efficient and economical service through the use of improved training and technology.

The company is committed to a quality of service culture to ensure that current and future requirements of its customers and clients are met, as part of its normal business activity.

4. Fixed Assets

Changes in the fixed assets made during the year are set out on page 11 in note 10 to the Accounts.

5. Directors

The following have served as directors of Post Office Counters Ltd during the year ended 29 March 1992.

Mr K M Young (Chairman)
Mr A J Roberts (Managing Director)
Mr R C Close
Mr R T B Dykes
Mr H McNearnie (Resigned 10.6.1991)
Sir Bryan Nicholson
Mr B Noble (Appointed 1.10.1991)
Mr R I Peaple
Mr T Spratt
Mr D Turnbull
Mr R H Wheelhouse

No director had a beneficial interest in the share capital of the company at 29 March 1992.

The directors and officers of the company have been insured against liability in relation to the company.

6. Staff

Under an agreement between the company and the Post Office, the Post Office provides staff engaged in the business of the company. The company meets the full costs of their employment. The following information is provided about these staff even though they are not employees of the company.

(a) The average number of staff employed during the year was 15,241 and their aggregate cost of employment for the year was £259 million.

(b) Disabled staff: It is policy to provide full and fair consideration to every application for employment from disabled persons. Where existing members of staff become disabled, efforts are made to ensure employment continues.

(c) Staff Involvement: Information on a wide range of the company's activities is supplied to staff through the Post Office newspaper, "The Courier", and an internal briefing system "Talking Shop". Staff training sessions are held regularly.

Consultation with the unions representing the staff takes place on a regular basis.

7. Charitable Donations

During the year the company made charitable donations amounting to £7,141.

8. Auditors

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

9. Taxation

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

By order of the Board

Morag Macdonald

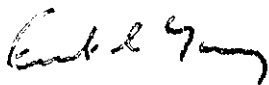
Morag Macdonald
Secretary
1 June 1992

REPORT OF THE AUDITORS

To the members of Post Office Counters Ltd

We have audited the accounts set out on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 29 March 1992 and of its profit and cash flows for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

3 June 1992

ACCOUNTING POLICIES

The accounts of Post Office Counters Ltd, a wholly owned subsidiary undertaking of the Post Office, have been prepared in accordance with the following accounting policies:

A. Basis of Preparation

These accounts are prepared in accordance with the Companies Act 1985. It is Post Office policy that the accounting year should end on the Sunday nearest to 31 March.

The accounts are prepared in accordance with applicable accounting standards.

B. Accounting Convention

The accounts have been prepared under the alternative accounting rules as set out in the Companies Act 1985. They reflect the effect of changing prices where material and appropriate.

C. Inter-business Trading

Post Office Counters Ltd provides services to other subsidiary undertakings and divisions of the Post Office and makes use of their services. Charges are negotiated on a commercial basis.

D. Turnover

Turnover comprises the value of all services provided, excluding VAT.

E. Tangible Fixed Assets

(i) Tangible fixed assets are stated at valuation, determined as follows:-

Freehold land and buildings and long leasehold properties are included at open market value for existing use, with the separate identification of adaptation cost where justified by surveyors' evaluations.

Other tangible fixed assets including motor vehicles, and fixtures and equipment are stated at their depreciated replacement costs by reference to actual replacement costs of the assets concerned, or use of appropriate cost indices.

(ii) Depreciation of tangible fixed assets is provided on a straight line basis by reference to valuation or replacement cost as appropriate and the remaining useful economic lives of assets.

The lives assigned to major categories of tangible fixed assets are:-

Buildings:

freehold	up to 60 years,
leasehold	the shortest of valuer's recommendation; the period of the lease; and 60 years.

Motor vehicles: 3 years

Fixtures and equipment:

office machines	4-12 years
computers	4-6 years
other	5-20 years

F. Stores and Retail Stocks

Stores and retail stocks are shown at the lower of replacement cost and net realisable value.

G. Leased Assets

All significant leases within the company fall to be treated as operating leases. Accordingly annual rentals are expensed as incurred.

H. Deferred Taxation

Deferred taxation is provided at expected tax rates on differences arising from the inclusion of income and expenditure in taxation computation periods different from those in which they are included in the accounts, where reasonable probability exists that such taxation will crystallise or be fully recoverable, in the foreseeable future.

I. Pensions

Staff working for Post Office Counters Ltd are employed by the Post Office and seconded to the company. Membership of the Post Office Staff Superannuation Scheme or the Post Office Pension Scheme is open to most permanent employees of the Post Office. Both schemes are defined benefit schemes and members are contracted out of the earnings related part of the state pension scheme. Full actuarial details of the scheme are given in the Post Office report and accounts.

Subpostmasters who were appointed before 1 September 1988 were under normal circumstances eligible to a gratuity upon retirement provided they had at least five years' service. Provision was made for this liability on an accrued internal fund basis, following an actuarial assessment. Eligibility ceased on 31 August 1988 and accrued benefits for all Subpostmasters in post at that date are to be paid in instalments over five years from that date. The deficiency on the internal fund will be extinguished over this period and the amount is disclosed in the notes on the accounts.

J. Foreign Currencies

Transactions in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

Assets and liabilities in foreign currencies, other than those covered by forward contracts (which are translated at contracted rates), are translated into sterling using year-end exchange rates and any differences taken to profit and loss account.

PROFIT AND LOSS ACCOUNT

For the year ended 29 March 1992

	Notes	1992 £m	1992 £m	1991 £m	1991 £m
Turnover	2		1027.8		959.2
Staff costs	3	259.0		257.3	
Depreciation and other amounts written off tangible fixed assets		18.9		15.0	
Other operating charges		<u>723.7</u>		<u>659.0</u>	
			<u>1001.6</u>		<u>931.3</u>
Profit on ordinary activities before taxation	7		26.2		27.9
Taxation	9		<u>10.1</u>		<u>5.5</u>
Profit retained for the financial year			<u>16.1</u>		<u>22.4</u>

STATEMENT OF RESERVES

For the year ended 29 March 1992

Reserves at 1 April 1991		244.0	223.3
Net revaluation of tangible fixed assets		(6.3)	(1.7)
Profit retained		<u>16.1</u>	<u>22.4</u>
Reserves at 29 March 1992	16	<u>253.8</u>	<u>244.0</u>

BALANCE SHEET

At 29 March 1992

	Notes	1992 29 March £m	1992 29 March £m	1991 31 March £m	1991 31 March £m
Tangible fixed assets	10		259.3		244.5
Current assets					
Debtors	11	31.6		33.7	
Inter-business balances		336.3		476.2	
Cash at bank and in hand		561.2		516.6	
		<u>929.1</u>		<u>1026.5</u>	
Creditors - amounts falling due within one year					
Client service balances		703.5		821.5	
Inter-business balances		40.5		37.3	
Other creditors	12	142.5		114.1	
		<u>886.5</u>		<u>972.9</u>	
Net current assets			<u>42.6</u>		<u>53.6</u>
Total assets less current liabilities			301.9		298.1
Creditors - amounts falling due after one year	13		32.2		32.2
Provisions for liabilities and charges	14		1.8		21.8
			<u>253.9</u>		<u>244.1</u>
Capital and reserves					
Called up share capital	15		0.1		0.1
Revaluation reserve	16		97.1		109.2
Profit and loss account	16		156.7		134.8
			<u>253.9</u>		<u>244.1</u>

Approved by Post Office Counters Ltd Board on 1 June 1992.


K M YOUNG


JOHN ROBERTS

CASH FLOW STATEMENT

For the year ended 29 March 1992

	Notes	1992 £m	1991 £m
Operating activities			
Cash received from customers		1056.2	988.1
Cash payments to suppliers		(330.7)	(304.4)
Cash paid to and on behalf of employees		(228.3)	(287.6)
Cash paid to subpostmasters, franchisees and other agents		(410.0)	(375.0)
Other cash payments	17	(112.8)	(5.0)
Net cash (outflow)/inflow from operating activities	18	<u>(25.6)</u>	<u>16.1</u>
Returns on investment and servicing of finance			
Dividends paid		<u>-</u>	<u>(4.6)</u>
Taxation			
Corporation tax paid		<u>(17.1)</u>	<u>(28.8)</u>
Investing activities			
Purchase of tangible fixed assets		(48.9)	(33.8)
Disposal of tangible fixed assets		1.7	3.6
Cash outflow from investing activities		<u>(47.2)</u>	<u>(30.2)</u>
Net cash outflow before financing		(89.9)	(47.5)
Financing			
Net cash inflow from financing	19	0.4	-
Decrease in cash and cash equivalents	20	<u>(89.5)</u>	<u>(47.5)</u>

NOTES ON THE ACCOUNTS

For the year ended 29 March 1992

1. Basis of Preparation

The accounts have been prepared in accordance with the accounting policies set out on pages 4 and 5.

2. Turnover

Turnover comprises the value of all services provided, excluding VAT. Post Office Counters Ltd has one principal area of activity, that of a counter retail service. It also operates wholly within one geographical market, the United Kingdom.

3. Staff Costs

	1992	1991
	£m	£m
Wages and salaries	239.2	239.6
Social security costs	16.7	16.4
Pensions charge (see note 6)	3.1	1.3
	<u>259.0</u>	<u>257.3</u>
Total		

4. Employee Information

	1992	1991
	Number	Number
Average staff numbers were:		
Business and territorial headquarters	1,652	1,625
District offices	13,590	15,168
	<u>15,242</u>	<u>16,793</u>
Total (including part-time staff counted as half)		
Subpostmasters	19,121	19,182

5. Directors' Emoluments

Directors' aggregate emoluments, including pension contributions, were £323,276 (1991 £249,060). In both years there were no fees and the company paid no pensions to ex-directors.

Emoluments of directors, excluding pension contributions, were as follows:

	1992	1991
	Number	Number
£ 0 to £ 5,000	6	5
£ 5,001 to £10,000	1	1
£55,001 to £60,000	-	3
£65,001 to £70,000	3	1
£75,001 to £80,000	1	-

The emoluments of the Chairman were £Nil (1991 £Nil).

The emoluments of the highest paid director were £76,652 (1991 £67,543).

The emoluments of directors who are also Board Members of the Post Office are disclosed in the Post Office report and accounts.

Loans to officers totalling £6,114 were outstanding at the year end.

6. Pensions

The Post Office operates two pension schemes namely, the Post Office Staff Superannuation Scheme (POSSS) and the Post Office Pension Scheme (POPS), both of which are defined benefit schemes. The assets of the schemes are held in separate trustee administered funds.

The total pension cost was £3.1m (1991 £1.3m). The pension cost relating to the schemes is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessments of those schemes was at 31 March 1991. Company contributions to POPS remain at 6.5%, at zero for POSSS. Full details of the schemes are provided in the Post Office report and accounts.

7. Profit on Ordinary Activities before Taxation

The profit on ordinary activities is stated after taking account of:

	1992 £m	1991 £m
Income from:		
Royal Mail	212.5	191.1
Parcelforce	23.2	32.8
Licence and franchise fees	10.5	9.6
Expenses:		
Subpostmaster costs	406.4	370.6
Net interest receivable (see note 8)	(26.7)	(18.1)
Research and development	0.3	0.3
Lease charges on property	14.9	13.7
Royal Mail	46.1	43.3
Parcelforce	1.1	1.0
Corporate charges	56.6	54.1

Auditors' remuneration consists of £117,000 (1991 £109,000) for audit services and £146,000 (1991 £125,000) for non audit services.

8. Net Interest Receivable

	1992 £m	1991 £m
Interest receivable	51.2	46.0
Interest payable:		
Loans repayable within five years of 29 March 1992	(24.5)	(27.9)
	<u>26.7</u>	<u>18.1</u>

£50.7m (1991 £45.3m) of the interest receivable was from other group undertakings.

£Nil (1991 £Nil) of the interest payable was to other group undertakings.

9. Taxation

	1992 £m	1991 £m
Corporation tax at 33% (1991 34%) on the profit for the year	8.2	14.2
Deferred taxation	1.9	(5.3)
Adjustments relating to prior years:		
Corporation tax	-	(1.3)
Deferred taxation	-	(2.1)
	<u>10.1</u>	<u>5.5</u>

Deferred taxation not provided for the year amounts to £1.0m (1991 £4.4m) in respect of accelerated capital allowances and other timing differences.

The overall tax charge is calculated by reference to the historical cost profit for the year of £32.0m (1991 £33.5m).

10. Tangible Fixed Assets

	Land and Buildings			Motor Vehicles	Fixtures & Equipment	Total
	Freehold	Long Lease	Short Lease			
	£m	£m	£m	£m	£m	£m
Valuation						
At 1 April 1991	122.9	14.1	91.9	5.1	103.8	337.8
Reclassification	2.7	(1.4)	(1.3)	-	-	-
Revaluation	(4.4)	(1.0)	(5.4)	0.1	(4.1)	(14.8)
Acquisitions	6.5	1.2	6.4	1.1	30.3	45.5
Disposals	(0.5)	(0.6)	(2.6)	(1.0)	(3.8)	(8.5)
	<u>127.2</u>	<u>12.3</u>	<u>89.0</u>	<u>5.3</u>	<u>126.2</u>	<u>360.0</u>
At 29 March 1992	127.2	12.3	89.0	5.3	126.2	360.0

	Land and Buildings			Motor Vehicles	Fixtures & Equipment	Total
	Freehold	Long Lease	Short Lease			
	£m	£m	£m	£m	£m	£m
Accumulated depreciation						
At 1 April 1991	-	1.2	40.5	0.6	51.0	93.3
Reclassification	-	-	-	-	-	-
Revaluation	(3.9)	(0.8)	(1.3)	0.1	(2.6)	(8.5)
Charge for the year	3.9	0.4	4.1	0.6	12.3	21.3
Disposals	-	(0.2)	(1.8)	(0.5)	(2.9)	(5.4)
At 29 March 1992	-	0.6	41.5	0.8	57.8	100.7
Net book amount						
At 1 April 1991	122.9	12.9	51.4	4.5	52.8	244.5
At 29 March 1992	127.2	11.7	47.5	4.5	68.4	259.3

- (i) A programme of property valuations provides for an annual revaluation of high value properties and a complete revaluation of the remaining freehold properties over a period of five years. Balance sheet values reflect the results of specific property valuations performed within the year. All valuations have been performed by Chartered Surveyors.
- (ii) The historical cost information of the fixed assets held at 29 March 1992 was as follows:

	Gross historical cost £m	Accumulated depreciation £m	Net Book amount £m
Tangible fixed assets at 29 March 1992:			
Land and buildings	127.5	35.8	91.7
Vehicles	5.1	0.6	4.5
Fixtures and fittings	97.0	31.0	66.0
	229.6	67.4	162.2

- (iii) The value of the land, not subject to depreciation, included in the freehold land and buildings total was £42.5m (1991 £43.9m).

11. Debtors	1992 £m	1992 £m	1991 £m	1991 £m
(i) Receivable within one year				
Trade debtors	19.3		14.5	
Prepayments and accrued income	4.9		8.6	
Stores and retail stocks	<u>4.6</u>		<u>7.9</u>	
		28.8		31.0
(ii) Receivable beyond one year				
Pension contributions prepaid		2.0		1.8
Other debtors		<u>0.8</u>		<u>0.9</u>
		<u>31.6</u>		<u>33.7</u>

12. Other Creditors	1992 £m	1991 £m
Creditors and accruals	120.6	82.6
Corporation tax	7.0	15.9
Other taxation and social security	<u>14.9</u>	<u>15.6</u>
	<u>142.5</u>	<u>114.1</u>

13. Creditors - Amounts Falling Due After One Year

In July 1990, Post Office Counters Ltd assumed a loan agreement of £32.2m from Girobank plc. This loan is repayable between two and five years from 29 March 1992.

14. Provisions For Liabilities and Charges

	Deferred taxation £m	Subpost- masters' gratu- ities £m	Counter network restruct- uring £m	Cash distri- bution network restruct- uring £m	Small office terminal install- ation £m	Total £m
(i) Provisions for liabilities and charges are:						
At 1 April 1991	(8.0)	10.6	14.4	4.8	-	21.8
Charged for the year	1.9	1.1	4.3	0.6	5.3	13.2
Utilised in the year	-	(7.3)	(7.4)	(3.1)	-	(17.8)
Released in the year	-	-	-	(1.4)	-	(1.4)
	<u>(6.1)</u>	<u>4.4</u>	<u>11.3</u>	<u>0.9</u>	<u>5.3</u>	<u>15.8</u>
At 29 March 1992	(6.1)	4.4	11.3	0.9	5.3	15.8

As indicated in Accounting Policy Note I, the deficiency on the internal fund for Subpostmasters' accrued gratuities (£5.5m as at 31 August 1988) is to be extinguished by 1993. £1.1m of the amount charged relates to the deficiency.

(ii) The full potential amounts of deferred taxation and the amounts provided in the accounts are:

	Full potential taxation		Provided in accounts	
	1992	1991	1992	1991
	£m	£m	£m	£m
Accelerated capital allowances	20.1	19.5	-	-
Other timing differences	(7.5)	(9.8)	(6.1)	(8.0)
	<u>12.6</u>	<u>9.7</u>	<u>(6.1)</u>	<u>(8.0)</u>

The company considers there is no potential tax liability in respect of the surplus arising on the revaluation of fixed assets. No provision is made for Corporation tax on chargeable gains on the disposal of assets, in view of the expected roll-over relief available.

15. Called up Share Capital

The authorised, allotted, called up and fully paid share capital is 50,000 ordinary £1 shares, all owned by the Post Office.

16. Reserves

	Revaluation Reserve	Profit and Loss Account	Total
	£m	£m	£m
At 1 April 1991	109.2	134.8	244.0
Net revaluation of tangible fixed assets	(6.3)	-	(6.3)
Profit retained	-	16.1	16.1
Reserve transfers:			
Realised fixed asset revaluation gains	(1.0)	1.0	-
Depreciation charge less historical depreciation	(4.8)	4.8	-
	<u>97.1</u>	<u>156.7</u>	<u>253.8</u>
At 29 March 1992	<u>97.1</u>	<u>156.7</u>	<u>253.8</u>

17. Other Cash Payments

	1992	1991
	£m	£m
VAT paid to Customs and Excise	(21.5)	(19.5)
Interest received	51.2	40.8
Interest paid	(24.5)	(22.7)
Client cash flow	(118.0)	(3.6)
	<u>(112.8)</u>	<u>(5.0)</u>

18. Reconciliation of Profit before taxation (Operating profit) to Operating Cash Flow

	1992	1991
	£m	£m
Operating profit	26.2	27.9
Depreciation charge	18.9	15.0
Loss/(Profit) on sale of tangible fixed assets	1.4	(0.2)
Changes in assets and liabilities:		
Debtors	4.8	12.8
Creditors	39.0	(27.0)
Provisions	(7.9)	0.9
Client service balances	(118.0)	(3.6)
Inter-business balances	10.0	(9.7)
Net cash (outflow)/inflow from operating activities	<u>(25.6)</u>	<u>16.1</u>

19. Changes in Financing During the Year

	1992	1991
	£m	£m
At 1 April 1991	-	-
Increase in Group finance loan	0.4	-
At 29 March 1992	<u>0.4</u>	<u>-</u>

20. Changes in Cash and Cash Equivalents

	1992	1991	Change in Year
	£m	£m	£m
Cash at bank and in hand	561.2	516.6	44.6
Inter-business funding	289.0	425.5	(136.5)
Cash held for fellow subsidiary undertakings	(15.5)	(17.9)	2.4
	<u>834.7</u>	<u>924.2</u>	<u>(89.5)</u>

21. Commitments

	1992 £m	1991 £m
(i) Capital commitments		
Contracted for but not provided in the accounts	4.6	6.7
Authorised but not yet contracted for	23.7	26.9

(ii) Operating lease obligations

The company is committed to the following operating lease payments for land and buildings in the next twelve months:

	1992 £m	1991 £m
For leases which expire:		
Within one year	0.1	0.6
Between two and five years	1.8	1.1
Beyond five years	15.2	8.3
	<u>17.1</u>	<u>10.0</u>

22. Contingent Liabilities

The company is defending legal proceedings which could give rise to liabilities totalling £0.4m. In all cases the Board has received legal opinion that the litigation is unlikely to succeed.

The company has entered into several long term leases requiring reinstatement of properties to good repair before vacation. In all cases the Board does not foresee terminating these leases before the year 2000. Likely costs of reinstatement total £0.25m.

23. Ultimate Parent Undertaking

The company is a subsidiary undertaking of the Post Office and its results form part of the Post Office Group accounts. Copies of the Post Office report and accounts can be obtained from 30 St James's Square, London, SW1Y 4PY.