

Registered Number 2154540

POST OFFICE LIMITED
(formerly Post Office Counters Limited)

ACCOUNTS
for the year ended 31 March 2002



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(formerly Post Office Counters Limited)

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DIRECTORS' REPORT

The Directors present their report and audited accounts of the Company for the 53 weeks ended 31 March 2002.

1. Change of name

On 1 October 2001 the name of the Company was changed to Post Office Limited.

2. Principal activities

The Company's principal activity is the provision of access to a wide range of financial and retail services through its network of post offices.

3. Review of business and future developments

The Company changed its name on 1 October 2001 and brought together three discrete business units. In addition, the cash distribution business became part of the Company during the year. The year to March 2002 was challenging, not only to establish the new company in a changing marketplace, but having to confront the financial difficulties facing Consignia. The operating loss before exceptional items for the year was £160m, after a Horizon charge of £105m. Encouragingly, we achieved the Quality of Service target set by the Regulator.

During the year, we spent £49m developing our capability to offer banking services, which are key to our future. In addition, the Your Guide trial of information provision was successfully concluded – it now awaits a Government decision.

During the year, the Company acquired various assets from a fellow subsidiary, Consignia plc.

The year ahead will remain difficult as we continue to turn the business round. Cost savings and efficiency improvements are fundamental to the months ahead which will also see significant focus on commencing to reduce network size and to segment along commercial categories. Finally, we intend to transform our cash business to generate increased external revenues.

The incremental costs of running the Horizon system has turned counter services into a fundamentally unprofitable operation - a position that will be exacerbated by the move of Benefits Agency transactions away from the counters network after April 2003. This will reduce revenue by some £400m (30%). In addition, the absence of advance Benefits Agency funding will adversely impact the business' working capital by some £750m after three years.

4. Results and dividend

The loss after taxation for the year was £266m (2001 £35m). The Directors do not recommend the payment of a dividend. The movements in reserves are shown in note 14 to the accounts.

5. Charitable donations

During the year the Company made charitable donations amounting to £13,124 (2001 £nil).

6. Supplier payment policy

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

The number of days' purchases in creditors at the balance sheet date was 33.

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7. Directors

The following have served as Directors of the Company during the year ended 31 March 2002:

M L Cassoni
A J Roberts

Appointments during the year

| | |
|--------------|-----------------------------|
| P M Corbett | Appointed 13/11/01 |
| J B Larkins | Appointed 13/11/01 |
| A L Leighton | Chairman Appointed 08/01/02 |
| D W Miller | Appointed 13/11/01 |
| P A Rich | Appointed 13/11/01 |

Resignations during the year

| | |
|----------------|-------------------|
| J Evans | Resigned 13/11/01 |
| D D Morphey | Resigned 11/03/02 |
| S J Sweetman | Resigned 13/11/01 |
| R M Tabor | Resigned 31/08/01 |
| R H Wheelhouse | Resigned 31/08/01 |

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

D. J. Mills was appointed as a Director of the Company on 15 April 2002. P. A. Rich and J. B. Larkins resigned as Directors of the Company on 15 April 2002 and 25 April 2002 respectively.

8. Staff

The Company's policy is to encourage effective communication and consultation between employees and management, particularly on matters relating to strategy, financial and economic factors that may influence the Company's performance. This is achieved through the use of an extensive range of communication channels, including magazines, briefings, open forums and an intranet website. Employees have various bonus schemes, significant elements of which are based on business related targets.

Regular Employee Opinion Surveys are conducted to allow employees an opportunity to express their views and opinions on important issues. This two-way communication encourages all employees to contribute towards making business improvements.

We actively encourage continuous training and skill development for all employees to ensure achievement of corporate and individual objectives. Management development and training programmes have been designed to attract and retain the best people. The Company has worked with the unions to introduce several innovative working practices to improve efficiency.

The Company's policy is to provide full consideration to every application for employment from disabled persons. Employees who become disabled whilst employed receive full support through the provision of training and special equipment to facilitate continued employment where practicable. The Company provides training, career development and promotion to disabled employees wherever appropriate.

An Equal Opportunities policy is maintained in all respects including disability, age, religion, colour, sex, nationality, ethnic origin, race, creed and marital status.

9. Going Concern

As outlined in note A of Accounting policies and general notes, there is a fundamental uncertainty concerning the outcome of the funding discussions with Government as to whether or not the Company and the Group can be considered to be a going concern. The plans of the Group require total funding of some £2.4bn over the next three years. The Group is in active discussions with Government about how future cash requirements are to be funded. Government approval to fund the renewal plan and a decision on the funding of the social Post Office network is critical to the continuing operations of the Company and the Group. The Directors believe that the

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outcome of funding discussions with Government will be favourable. On that basis, after consideration of cash flow projections, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

10. Auditors

During the year, Ernst & Young acted as auditor to the Company until 28 June 2001. On 28 June 2001, Ernst & Young transferred its business to a limited liability partnership, Ernst & Young LLP, incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. At the Annual General Meeting, a resolution will be proposed to reappoint Ernst & Young LLP as auditor.

By order of the Board.



Jonathan Evans

Secretary

London

12 June 2002

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

In preparing those accounts the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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INDEPENDENT AUDITOR'S REPORT
to the members of Post Office Limited

We have audited the Company's accounts for the year ended 31 March 2002, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the accounts in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Accounting Policy Note A of the accounts concerning the continuance of financial support from the ultimate parent company, Consignia Holdings plc, which is dependent on a number of assumptions, conditions and constraints. There is consequent fundamental uncertainty as to whether or not the Company can be considered to be a going concern. The accounts do not include any adjustments that would result from financial support for the Company being withdrawn by Consignia Holdings plc. It is not practical to quantify the adjustments that might be required, but should any adjustments be required they would be significant. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
12 June 2002

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ACCOUNTING POLICIES

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

A. Fundamental accounting concept

Post Office Limited had net liabilities of £577m at 31 March 2002 and currently operates at a loss. The Company is therefore dependent on continuing financial support from its ultimate parent company, Consignia Holdings plc.

Current strategic plans for the Consignia Group indicate that funding totalling some £2.4bn is required over the next three years to restructure and reduce the cost base and fund Post Office Limited.

Potentially available cash and other current asset investments of the Consignia Group totalled £1,850m at 31 March 2002, which are principally held by Consignia plc, a subsidiary of Consignia Holdings plc.

Consignia Holdings plc is in active discussions with Government as to how future cash requirements are to be funded, including how the current asset investments can be used to arrange National Loans Fund (NLF) finance and to support Post Office Limited and what conditions and constraints will apply. The Government has indicated that it will seek for the current asset investments of £1.8bn to be distributed from Consignia plc to Consignia Holdings plc. Government approval to fund the renewal plan and a decision on funding of the social Post Office network is critical to the Company and Consignia Holdings plc Group's continuing operations.

Consignia Holdings plc has provided the Directors with a written commitment that they currently intend to make available to the Company sufficient funds to meet its liabilities as they fall due for the foreseeable future, subject to the conditions and constraints imposed by the Secretary of State. Financial support is also conditional on the Company producing a business plan by September 2002 which is acceptable to both Consignia Holdings plc and the Secretary of State. Funding has been permitted from current asset investments up to April 2003 and for existing commitments that go beyond that date.

The Directors believe that the conditions and constraints imposed by the Secretary of State will be met. On this basis, the Directors consider that the Company will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

Should Consignia Holdings plc withdraw financial support for the Company, the going concern basis would be invalid and adjustments would have to be made to provide for any further liabilities that might arise and to reclassify fixed assets and long-term liabilities as current assets and current liabilities.

B. Basis of preparation and change in accounting policy

The accounts have been prepared under the historic cost convention as set out in the Companies Act 1985. The Company had previously adopted the alternative accounting rules with respect to the valuation of tangible fixed assets. This policy was changed during the year following the adoption of the historic cost convention by the ultimate holding company. The prior year results have been restated to show the effect of this change.

The accounts have been prepared in accordance with applicable accounting standards and the Companies Act 1985.

Three new Financial Reporting Standards have been issued by the Accounting Standards Board and where necessary, changes have been made to comply with these. The effects of the new standards are as follows:

FRS 17 - Retirement benefits. The transitional arrangements will be phased over the three years ending March 2002, March 2003 and March 2004 respectively. Full details can be found in the Report and Accounts of the ultimate parent company. The pension cost figures in these accounts comply with SSAP 24.

FRS 18 - Accounting policies. The accounts reflect adoption of this standard. No material changes have arisen.

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FRS 19 - Deferred tax. This standard requires that in general, deferred tax be provided on a full provision basis instead of partial provision basis, as applied formerly. The revised accounting policy is outlined in accounting policy note I.

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

C. Financial year

The financial year ends on the last Sunday in March and accordingly, these accounts cover the 53-week period ended 31 March 2002 (the year).

D. Interbusiness trading

The Company operates through business units that make use of the services of other companies within the Group in order to take advantage of group synergies, having regard to the mutual dependencies that exist. The Board's view is that there is a significant interdependency between mails and counter services. The interbusiness charges recognise this dependency. The Board's policy is to maintain controls to ensure that appropriate pricing principles are adhered to.

E. Turnover

Turnover is the value of all services provided excluding VAT.

F. Tangible fixed assets

- a. Tangible fixed assets are recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use.
- b. Depreciation of tangible fixed assets is provided on a straight line basis by reference to original cost, and to the remaining useful economic lives of assets and their estimated residual values. The lives assigned to major categories of tangible fixed assets are:

Property:

| | |
|----------------------------|--|
| Freehold buildings | up to 60 years |
| Leasehold land & buildings | the shortest of the period of the lease, 60 years or the estimate of the remaining useful life |
| Plant & machinery | 3 - 35 years |
| Motor vehicles | 1 - 12 years |
| Fixtures and equipment: | |
| Office machines | 3 - 20 years |
| Computers | 2 - 7 years |
| Other | 4 - 25 years |

- c. Impairment reviews of fixed assets are performed annually for assets with an estimated remaining useful life in excess of 50 years and additionally where there is an indication of impairment as defined by FRS 11.

G. Leasing and hire purchase

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

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H. Stocks

Stocks comprise unissued stores and retail stock. All stocks are carried at the lower of cost and net realisable value.

I. Deferred taxation

Deferred tax is generally provided in full on timing differences at the balance sheet date, at rates expected to apply when the tax liability (or asset) crystallises based on substantially enacted rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Deferred tax is not recognised in the following instances:

- on gains on disposal of fixed assets where, on the basis of available evidence, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when there is a commitment to dispose of those replacement assets.
- on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

J. Pensions and other post-retirement benefits

Staff working for the Company are employed by Consignia plc and seconded to the Company. Membership of the Consignia occupational pension schemes is open to most permanent UK employees of the Group. The principal schemes are defined benefit schemes, and all members are contracted out of the earnings-related part of the State pension scheme. The Group also has a defined contribution scheme which commenced with effect from 1 April 2000. Full details of the schemes can be found in the Consignia Holdings plc Group Report and Accounts.

The defined benefit schemes are financed on the basis that the combined current service contributions payable by the employees and employers are sufficient to cover the cost of the benefits which are expected to accrue in the future to members. The charge to the profit and loss account is calculated so as to spread variations from regular cost and to amortise the surplus or deficit over the expected remaining service lives of the employees. The assets of the schemes are held in separate trustee administered funds.

Valuations of the defined benefit schemes are carried out by independent professionally qualified actuaries at intervals not normally exceeding three years, as determined by the Trustees. In each year between actuarial valuations, the actuaries perform a high-level review of the funding position of the schemes.

K. Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate if the transaction is covered by a forward foreign currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date (or the appropriate forward contract rate). All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings which are used to finance or provide a hedge against foreign equity investments. These are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves. The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date and the differences arising from the translation of opening net investments are taken to reserves.

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PROFIT AND LOSS ACCOUNT

| | | | | 2002 53 weeks ended 31 March 2002 | 2001 52 weeks ended 25 March 2001 |
|--|-------|--------------------------------------|-------------------------------------|--|--|
| | Notes | Before exceptional items £m | Exceptional items (note 4) £m | Total £m | Total £m |
| Turnover | 1 | 1,289 | - | 1,289 | 1,171 |
| Staff costs | 2 | (339) | (29) | (368) | (282) |
| Depreciation and other amounts written off tangible fixed assets | 3 | (12) | (48) | (60) | (10) |
| Other operating charges | 6 | (1,098) | - | (1,098) | (961) |
| Total operating costs | | (1,449) | (77) | (1,526) | (1,253) |
| Operating loss | 3 | (160) | (77) | (237) | (82) |
| Profit on disposal of tangible fixed assets | | - | 21 | 21 | - |
| Loss on ordinary activities before taxation | | (160) | (56) | (216) | (82) |
| Taxation | 7 | | | (50) | 47 |
| Loss for the financial year transferred to reserves | 14 | | | (266) | (35) |

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 2002 | 2001 |
|--|----------------|----------------|
| | 53 weeks ended | 52 weeks ended |
| | 31 March 2002 | 25 March 2001 |
| | £m | £m |
| Loss for the financial year | (266) | (35) |
| Prior period adjustments: | | <hr/> |
| Historic cost accounting (note 8) | (84) | |
| | <hr/> | |
| Total recognised losses since last accounts | <u>(350)</u> | |

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

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BALANCE SHEET

| | Notes | At 31 March 2002 £m | At 25 March 2001 As restated £m |
|---|-------|---------------------------|--|
| Tangible fixed assets | 8 | 99 | 119 |
| Current assets | | | |
| Stocks | | 14 | 15 |
| Debtors - receivable beyond one year | 9 | 667 | 985 |
| Debtors - receivable within one year | 9 | 92 | 201 |
| Cash at bank and in hand | | 1,006 | 850 |
| | | 1,779 | 2,051 |
| Current liabilities | | | |
| Creditors - amounts falling due within one year | 10 | (1,275) | (1,446) |
| Net current assets | | 504 | 605 |
| Total assets less current liabilities | | 603 | 724 |
| Creditors - amounts falling due after more than one year | 11 | (1,154) | (1,033) |
| Provisions for liabilities and charges | 12 | (26) | (2) |
| | | (577) | (311) |
| Capital and reserves | | | |
| Called up share capital | 13 | - | - |
| Profit and loss account | 14 | (577) | (311) |
| Shareholders' funds | | (577) | (311) |

Approved by the Board on 17 June 2002.


ALLAN LEIGHTON


PETER CORBETT


DAVID MILLS

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NOTES TO THE ACCOUNTS

1. Turnover

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

2. Staff costs and employee information

Under an agreement between the Company and Consignia plc, Consignia plc provided 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:

| | 2002 £m | 2001 £m |
|-------------------------|------------|------------|
| Wages and salaries | 323 | 243 |
| Social security costs | 19 | 16 |
| Pension costs (note 16) | 26 | 23 |
| | <u>368</u> | <u>282</u> |

Average staff numbers, calculated on a full time equivalent basis, including part-time employees were:

| | 2002 | 2001 |
|-----------------|---------------|---------------|
| Total employees | <u>13,095</u> | <u>11,815</u> |

The 2002 movement principally relates to the secondment of 1,902 employees of the cash distribution business from Consignia plc to the Company.

| | 2002 | 2001 as restated |
|----------------------------|---------------|---------------------|
| Subpostmasters at year end | <u>14,901</u> | <u>15,217</u> |

| | 2002 | 2001 |
|--|------------|------------|
| Number of outlets owned by the Company at year end | <u>589</u> | <u>597</u> |

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3. Operating loss

Operating loss is stated after charging/(crediting):

| | 2002 | 2001 |
|--|-------|-------|
| | £m | £m |
| Depreciation | 12 | 10 |
| Impairment of tangible fixed assets | 48 | - |
| Income from inter-business services | (337) | (275) |
| Licence and franchise fees | (1) | (2) |
| Net interest payable/(receivable) (note 6) | (1) | (11) |
| Subpostmasters' costs | 572 | 551 |
| Inter-business charges | 244 | 245 |

Auditors' remuneration amounted to £90,000 (2001 £78,800) for audit services. Remuneration for non-audit services amounted to £174,000 (2001 £229,000).

Income from interbusiness services and interbusiness charges above relate to the principal business units of the Company's parent company and other fellow subsidiary undertakings.

4. Exceptional items

| | 2002 | 2001 |
|---|------|------|
| | £m | £m |
| Impairment of tangible fixed assets | (48) | - |
| Provision for redundancy costs in respect of the restructuring of the Company | (29) | - |
| Total | (77) | - |
| Recognised below operating loss: | | |
| Net profit on disposal of tangible fixed assets (no tax effect) | 21 | - |
| | (56) | - |

5. Directors' emoluments

All the Directors of the Company are employed and remunerated by Consignia plc and are paid no fees for their services as Directors.

The emoluments of Directors who were also Directors of the ultimate holding company are disclosed in the accounts of that company.

6. Net interest (payable)/receivable

| | 2002 | 2001 |
|--------------------------------|------|------|
| | £m | £m |
| Included in operating charges: | | |
| Interest receivable | 3 | 16 |
| Interest payable | (2) | (5) |
| | 1 | 11 |

Net interest receivable of £1m is included within operating charges.

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7. Taxation

The 2001 figures have been restated to show the effect of the implementation of FRS 19 - Deferred taxation.

a. Tax on loss on ordinary activities

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

| | 2002 | 2001 |
|--------------------------------------|------|------|
| | £m | £m |
| UK Corporation tax | | |
| Current tax on income for the period | (10) | (49) |
| Adjustment in respect of prior years | (3) | (8) |
| Total current tax (note 7b) | (13) | (57) |
| Deferred tax asset released | 63 | 10 |
| Tax on loss on ordinary activities | 50 | (47) |

b. Factors affecting current tax charge/(credit)

| | 2002 | 2001 |
|---|------|------|
| | £m | £m |
| Tax credit at 30% on the loss on ordinary activities for the year | (65) | (25) |
| Deferred relief on fixed assets not recognised | 11 | (28) |
| Depreciation and impairment of non-qualifying assets | 9 | - |
| Prior year items | (3) | (8) |
| Loss not recognised | 35 | - |
| Other | - | 4 |
| Total current tax | (13) | (57) |

c. Factors affecting future tax charges

The company has £35m of unrecognised deferred tax assets relating to tax losses that are available for offset against future trading profits. The company also has £126m of deferred tax assets relating to timing differences which have not been recognised due to the uncertain trading outlook making future profits uncertain. These deferred tax assets may be recognised in future if, and to the extent that, suitable taxable profits become available.

The company has capital losses carried forward the tax effect of which is approximately £7m (2001: £7m). These may be set against future capital gains. The company has rolled over capital gains the tax effect of which totals £1m (2001: £1m). It is expected that gains on assets sold in the year will be fully rolled over into assets acquired in the year or in the previous year.

d. Deferred taxation

| | Amount provided (asset) | | Full potential taxation | |
|---|-------------------------|------|-------------------------|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | £m | £m | £m | £m |
| Depreciation in advance of capital allowances | - | (61) | (125) | (115) |
| Losses carried forward | - | - | (35) | - |
| Other timing differences | - | (2) | (1) | (1) |
| | - | (63) | (161) | (116) |

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8. Tangible fixed assets

| | Land and Buildings | | | | | |
|----------------------------------|--------------------|------------|-------------|----------------|----------------------|------------|
| | Freehold | Long lease | Short lease | Motor vehicles | Fixtures & equipment | Total |
| Cost | £m | £m | £m | £m | £m | £m |
| At 26 March 2001 | 169 | 30 | 112 | - | 616 | 927 |
| Prior period adjustment (note e) | (73) | (17) | (42) | - | (8) | (140) |
| As restated | 96 | 13 | 70 | - | 608 | 787 |
| Reclassification | 1 | - | (1) | - | - | - |
| Additions | - | - | - | 3 | 14 | 17 |
| Disposals - external | (1) | (1) | (4) | - | (13) | (19) |
| Group transfers | (23) | 1 | 1 | 34 | - | 13 |
| At 31 March 2002 | 73 | 13 | 66 | 37 | 609 | 798 |
| Accumulated depreciation | | | | | | |
| At 26 March 2001 | 53 | 9 | 65 | - | 597 | 724 |
| Prior period adjustment (note e) | (17) | (4) | (29) | - | (6) | (56) |
| As restated | 36 | 5 | 36 | - | 591 | 668 |
| Charge for the year | 3 | - | 3 | 3 | 3 | 12 |
| Impairment | 4 | 3 | 23 | - | 18 | 48 |
| Disposals - external | - | (1) | (2) | - | (13) | (16) |
| Group transfers | (10) | (1) | (2) | - | - | (13) |
| At 31 March 2002 | 33 | 6 | 58 | 3 | 599 | 699 |
| Net book amount | | | | | | |
| At 26 March 2001 as restated | 60 | 8 | 34 | - | 17 | 119 |
| At 31 March 2002 | 40 | 7 | 8 | 34 | 10 | 99 |

- a. Group disposals of freehold land and buildings relate to the transfer of these assets to Consignia plc. These transfers took place at fair value as part of a policy to centralise ownership and management of these types of assets.
- b. Group additions of motor vehicles relate to the transfer of the secure cash distribution vehicle fleet from Consignia plc to the Company. These transfers took place at fair value.
- c. £35m (2001 £35m) of the total amount of land and buildings represents land not subject to depreciation.
- d. The net book value of tangible fixed assets subject to finance leases and hire purchase contracts is £nil (2001 £nil).
- e. The prior period adjustment relates to the change of accounting policy from modified historic cost to the historic cost accounting convention.

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9. Debtors

| | 2002 | 2001 as restated |
|--------------------------------------|------------|---------------------|
| | £m | £m |
| Receivable beyond one year: | | |
| Amounts due from parent undertaking | 667 | 947 |
| Deferred tax asset (note 7d) | - | 38 |
| | <u>667</u> | <u>985</u> |
| Receivable within one year: | | |
| Trade debtors | 60 | 54 |
| Amounts due from parent undertaking | 3 | 3 |
| Amounts due from fellow subsidiaries | - | 51 |
| Prepayments and accrued income | 16 | 13 |
| Deferred tax asset | - | 25 |
| Corporation tax | 13 | 55 |
| | <u>92</u> | <u>201</u> |

10. Creditors - amounts falling due within one year

| | 2002 | 2001 |
|---|--------------|--------------|
| | £m | £m |
| Client service balances | 987 | 991 |
| Trade creditors | 108 | 89 |
| Accruals | 59 | 134 |
| Obligations under hire purchase contracts | 36 | 83 |
| Amounts due to parent undertaking | 47 | 25 |
| Amounts due to fellow subsidiaries | - | 117 |
| Corporation tax | 2 | - |
| Other taxation and social security | 8 | 7 |
| Other | 28 | - |
| | <u>1,275</u> | <u>1,446</u> |

Client service balances are amounts owed to or due from clients in respect of counter transactions.

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11. Creditors - amounts due in more than one year

| | 2002 £m | 2001 £m |
|---|--------------|--------------|
| Amount due to parent undertaking | 1,087 | 927 |
| Obligations under hire purchase contracts | 67 | 106 |
| | <u>1,154</u> | <u>1,033</u> |

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

| | 2002 £m | 2001 £m |
|--|------------|------------|
| Amounts falling due in: | | |
| One year or less | 36 | 83 |
| More than one but not more than two years | 34 | 35 |
| More than two but not more than five years | 33 | 71 |
| More than 5 years | - | - |
| | <u>103</u> | <u>189</u> |
| Total | | |

12. Provisions for liabilities and charges

| | At 26 March 2001 £m | Charged for the year £m | Released in the year £m | At 31 March 2002 £m |
|------------|------------------------------|-------------------------------|-------------------------------|------------------------------|
| Redundancy | - | 29 | (3) | 26 |
| Other | <u>2</u> | <u>-</u> | <u>(2)</u> | <u>-</u> |
| | <u>2</u> | <u>29</u> | <u>(5)</u> | <u>26</u> |

(i) Redundancy

The redundancy payments will be made over the period 2002/03 to 2004/05.

13. Called up share capital

The authorised, allotted, called up and fully paid share capital is 50,000 ordinary £1 shares, beneficially owned by Consignia plc.

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14. Reserves

| | Revaluation | Profit & loss account | 2002 Total | 2001 as restated Total |
|-----------------------------|-------------|--------------------------|---------------|------------------------------|
| | £m | £m | £m | £m |
| At 26 March 2001 | | | | |
| -As reported | 84 | (311) | (227) | (260) |
| -Prior period adjustments: | | | | |
| -Historical cost convention | (84) | - | (84) | (16) |
| -As restated | - | (311) | (311) | (276) |
| Loss for the financial year | - | (266) | (266) | (35) |
| At 31 March 2002 | - | (577) | (577) | (311) |

15. Commitments

- a. Capital commitments
Capital commitments contracted for but not provided in the accounts amount to £nil (2001 £nil).
- b. Operating lease obligations
The Company is committed to the following payments on operating leases during the next twelve months:

| | Land & Buildings | |
|----------------------------|------------------|------------|
| | 2002 £m | 2001 £m |
| For leases which expire: | | |
| Within one year | 2 | 2 |
| Between two and five years | 5 | 5 |
| Beyond five years | 10 | 16 |
| | <u>17</u> | <u>23</u> |

16. Pensions

The Company participates in the occupational pension schemes operated by the Consignia plc which are defined benefit schemes, as detailed in accounting policy J.

The Company is unable to identify its share of underlying assets and liabilities. Full details of the schemes, including the existence of a surplus/deficit in the schemes and associated implications, can be found in Consignia plc's accounts.

The total pension charge was £26m (2001 £23m). During the year, variations in the standard pension contributions of £ 24m (2001 £21m) credit were retained in the parent company.

17. Related party transactions

The Company has taken advantage of one of the exemptions conferred by FRS8 'Related Party Transactions', whereby certain details regarding transactions with group companies do not have to be disclosed where group accounts are publicly available.

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18. Ultimate parent company

At 31 March 2002, the Directors regarded Consignia Holdings plc as the ultimate parent company. The results of the Company form part of the Consignia Holdings plc Group Report and Accounts which are available from 130 Old Street, London, EC1V 9PQ.