Registered Number 2154540

Post Office Limited

Accounts

2002- 2003

Contents

Directors' Report

The Directors present their report and audited accounts of Post Office Limited (the Company) for the 52 weeks ended 30 March 2003 (2002 53 weeks).

1. 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 Office branches across the United Kingdom (UK).

2 Review of the business and future developments

The Company completed its first year of the Renewal Plan to return the organisation to profit, and all the key milestones were achieved in the year – the Horizon contract (which is for the front office computer terminal system) was re-negotiated and will result in considerable savings; 36,000 people were trained to deliver the banking transactions; an active approach to collecting debt was adopted; a sales and marketing function was set up; 12 financial institutions signed up for banking access with the system going live at all outlets on schedule; better management information systems were set up; 13 cash centres and depots were closed; and all funding was agreed including 'state aid clearance' by the European Commission.

The operating loss before exceptional items for the year was £200m, In addition the queuing performance target for Post Office Limited showed sufficient improvement in the final two months of the year to meet Postcomm's criterion for this target to be dropped from the licence.

During the year, we spent a further £50m net developing our capability to offer banking services, which are key to our future. The universal banking system has now gone live with the first Post Office™ card accounts and basic bank accounts being opened – it is too early to say what the level of take-up of either product will be. This service will allow people receiving benefits, currently over 15m people, to make cash withdrawals at Post Offices.

The year ahead will remain difficult as we continue to turn the business round. Cost savings and efficiency improvements continue to be fundamental and the next year will continue to see further savings in overheads and reduction in network costs from the Network Reinvention programme.

3. Results and dividend

The loss after taxation for the year was £359m (2002 £266m). The Directors do not recommend the payment of a dividend. The movements in reserves are shown in note 15 to the accounts.

4. Charitable donations

During the year, the Company made charitable donations amounting to £300 (2002 £13,124).

5. Post Balance Sheet event

Details of the post balance sheet event are included in note 19 to the accounts.

Directors' Report (continued)

6. Directors

The following have served as Directors of the Company during the year ended 30 March 2003 and up to the date of approval of these accounts:

<u>Chairman</u>		
M S Hodgkinson	Appointed	1 May 2003
A L Leighton	Resigned*	1 May 2003
<u>Directors</u>		
A J M Barrie	Appointed	3 September 2002
P M Corbett		
J C Main	Appointed	3 September 2002
D W Miller		
D J Mills	Appointed	15 April 2002
G R Steele	Appointed	3 September 2002
E Toime	Appointed	10 April 2003
<u>Resignations</u>		
M L Cassoni		17 June 2002
J B Larkins		25 April 2002
P A Rich		15 April 2002
A J Roberts		17 June 2002

*A L Leighton resigned as Chairman on 1 May 2003 but remains a Director of the Company.

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

7. Employees

Our goal is to ensure that all employees are engaged and involved in the business and are aligned and equipped to meet business goals. As part of our commitment to drive better service to customers, resulting in greater commercial success, we will focus on improving the quality of leadership within the Company, professionalising key roles and achieving greater employee involvement in decision making and influencing the business. Underpinning all of this is a need for dignity at work, where everybody feels valued, is treated fairly and equally with everyone playing a full part in helping the Company to achieve its goals.

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.

Disabled employees

The Company's policy is to give full consideration to applications 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, sexual orientation, race, creed and marital status.

Directors' Report (continued)

8. 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 25.

9. Going Concern

As outlined in note A of accounting policies and general notes, after consideration of cash flow projections for the Company and European Commission approval for the funding required by the Company having been obtained, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

10. Auditors

A resolution to reappoint Ernst & Young LLP as auditor will be put to the Annual General Meeting.

By order of the Board.

Jonathan Evans
Secretary
London
1 July 2003

Statement of Directors' responsibilities in respect of the accounts

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

In preparing those accounts the Directors are required to:

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

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

Independent auditor's report to the members of Post Office Limited

We have audited the Company's financial statements for the year ended 30 March 2003, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the accounting policies and general notes and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and 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 financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 March 2003 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
London
Date: 1 July 2003.

Accounting policies and general notes

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

A) Going concern

Post Office Limited had net liabilities of £936m at 30 March 2003 and currently operates at a loss. The Company is therefore dependent on continuing financial support from its ultimate parent company, Royal Mail Holdings plc.

The Company's accounts for the year ended 31 March 2002 noted an uncertainty over how its future cash requirements were to be financed. Since then, all appropriate financing has been secured and the Directors therefore conclude that the company no longer has an uncertainty over its financing for the foreseeable future.

During the year, agreement has been reached between Royal Mail Holdings plc and Government on how financial support will be provided. The Company's current strategic plans indicate that funding of £0.7bn is required for operational needs and a further £1.2bn working capital facility. The agreed funding package is made up as follows:

(a) the write-off of indebtedness of £464m owed to Royal Mail Group;

(b) rural network payments of £150m per annum for at least the next three years to support the maintenance of the rural network of Post Offices;

(c) further advances from Royal Mail Group to meet the Company's projected net cash outflows until 2006-07.

A loan facility of up to £1.2bn will also be granted by Government to fund the Company's working capital needs, arising from the withdrawal by the Department for Work and Pensions of advance funding for benefit payments being made on its behalf over the Post Office network.

All of the above have been agreed in principle and the £1.2bn loan facility is in the course of being documented. The Government received confirmation in respect of this funding on 27 May 2003 that their state aid application has received clearance by the European Commission.
After consideration of the Company's cashflow projections, the Directors have concluded that it will continue in operational existence for the foreseeable future and therefore it is appropriate to prepare the accounts on a going concern basis.

B) Basis of preparation

The accounts present information about the Company as an individual undertaking and not as a Group. The Company has taken advantage of section 228 of the Companies Act 1985 not to prepare Group accounts on the grounds that its ultimate parent undertaking makes its Group accounts publicly available

The accounts on pages 8 to 23 have been prepared in accordance with applicable accounting standards under the historic cost accounting convention and the requirements of the Companies Act 1985.

No new Financial Reporting Standards which affect the presentation of these accounts have been issued by the Accounting Standards Board.

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

Accounting policies and general notes (continued)

C) Financial year

The financial year ends on the last Sunday in March and accordingly, these accounts cover the 52-week period ended 30 March 2003 (2002 53 weeks).

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 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*

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

(ii) Depreciation of tangible fixed assets is provided on a straight-line basis by reference to original cost, and to the remaining useful economic lives of assets and their estimated residual values. The lives assigned to major categories of tangible fixed assets are:

Property:	
Freehold buildings	up to 60 years
Leasehold land & buildings	the shortest of the period of the lease, 60 years or the *estimated remaining useful life*
Plant & machinery	3 - 15 years
Motor vehicles	1 - 12 years
Fixtures and equipment:	
Office machines	3 - 12 years
Computers	2 - 7 years
Other	4 - 15 years

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

Accounting policies and general notes (continued)

H) Investments

In the Company's accounts the investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for impairment.

I) Stocks

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

J) 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 tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Deferred tax is not recognised in the following instances:

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

Deferred tax assets and liabilities are not discounted.

K) Pensions and other post-retirement benefits

Staff working for the Company are employed by Royal Mail Group plc and seconded to the Company. Membership of the Royal Mail 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 Royal Mail Holdings plc 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.

Accounting policies and general notes (continued)

L) 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.

Profit and loss account

	Notes	Before exceptional items £m	Exceptional items (note 4) £m	52 weeks ended 30 March 2003 Total £m	Before exceptional items £m	Exceptional items (note 4) £m	53 weeks ended 31 March 2002 Total £m
Turnover	1	**1,186**	**-**	**1,186**	1,289	-	1,289
Staff costs	2	**(317)**	**(73)**	**(390)**	(339)	(29)	(368)
Depreciation and other amounts written off tangib fixed assets	3	**(11)**	**(88)**	**(99)**	(12)	(48)	(60)
Other operating charges	6	**(1,058)**	**(8)**	**(1,066)**	(1,098)	-	(1,098)
Total operating costs		**(1,386)**	**(169)**	**(1,555)**	(1,449)	(77)	(1,526)
Operating loss	3	**(200)**	**(169)**	**(369)**	(160)	(77)	(237)
Profit on disposal of tangible fixed assets	4	**-**	**5**	**5**	-	21	21
Loss on ordinary activities		**(200)**	**(164)**	**(364)**	(160)	(56)	(216)
Income from investments		**5**	**-**	**5**	-	-	-
Loss on ordinary activities before taxation		**(195)**	**(164)**	**(359)**	(160)	(56)	(216)
Taxation	7			**-**			(50)
Loss for the financial year transferred to reserves	15			**(359)**			(266)

Statement of total recognised gains and losses
for the 52 weeks ended 30 March 2003

There are no recognised gains and losses other than the loss attributable to the Company of £359m in the year ended 30 March 2003 and the loss of £266m in the year ended 31 March 2002 (53 weeks).

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

Post Office Limited

Balance sheet

	Notes	At 30 March 2003	At 31 March 2002 As restated
		£m	£m
Fixed assets			
Tangible fixed assets	8	**31**	99
Investments	9	**1**	-
		32	99
Current assets			
Stocks		**14**	14
Debtors - receivable within one year	10	**139**	92
Cash at bank and in hand		**999**	1,006
		1,152	1,112
Creditors - amounts falling due within one year	11	**(1,294)**	(1,275)
Net current liabilities		**(142)**	(163)
Total assets less current liabilities		**(110)**	(64)
Creditors - amounts falling due after more than one year	12	**(747)**	(487)
Provisions for liabilities and charges	13	**(79)**	(26)
		(936)	(577)
Capital and reserves			
Called up share capital	14	**-**	-
Profit and loss account	15	**(936)**	(577)
Shareholders' funds		**(936)**	(577)

Approved by the Board on 1 July 2003.

Mike Hodgkinson	**Peter Corbett**	**David Mills**

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 Royal Mail Group plc, Royal Mail Group plc 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:

	2003 **£m**	2002 £m
Wages and salaries	**345**	323
Social security costs	**19**	19
Pension costs (note 17)	**26**	26
	390	368

Staff costs include £73m (£34m wages and salaries and £39m pension costs) in exceptional items (2002 £29m, £11m and £18m respectively).

Average staff numbers, calculated on a full-time equivalent basis, including part-time employees, were on a revised basis of calculation from last year:

	2003	2002
Total employees	**13,893**	14,564

	2003	2002
Subpostmasters at year end	**14,567**	14,901

Notes to the accounts (continued)

3. Operating loss

Operating loss is stated after charging/(crediting):

	2003 £m	2002 £m
Depreciation	11	12
Impairment of tangible fixed assets	88	48
Income from interbusiness services	(287)	(337)
Licence and franchise fees	(1)	(1)
Net interest payable/(receivable) (note 6)	(6)	(1)
Subpostmasters' costs	575	565
Interbusiness charges	186	244

Auditors' remuneration amounted to £91,440 (2002 £90,000) for audit services. Remuneration for non-audit services amounted to £189,250 (2002 £174,000).

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.

These accounts are for Post Office Limited and so do not consolidate the results of any of Post Office Limited's ownership interests in other businesses. Accordingly, the operating loss does not include the Company's share of the retained earnings of the joint venture company, First Rate Travel Services Holdings Limited (FRTS) which, in accordance with FRS 9, is included in the accounts of Royal Mail Holdings plc (£8m).

4. Exceptional items

	2003 £m	2002 £m
Recognised in arriving at operating loss:		
Impairment of tangible fixed assets	(88)	(48)
Provision for redundancy costs in respect of the restructuring of the Company	(73)	(29)
Other restructuring costs	(8)	-
	(169)	(77)
Recognised below operating loss:		
Net profit on disposal of tangible fixed assets (no tax effect)	5	21
	(164)	(56)

Impairment reviews were carried out using an appropriate discount rate applicable to these specific types of asset of 8% and by reference to future projections in accordance with long-term average growth rates.

Notes to the accounts (continued)

5. Directors' emoluments

The Directors received the following emoluments in respect of services to the company:

	2003 £	2002 £
Emoluments	848,785	524,539
Company contributions to pension schemes	201,754	122,418
No. of directors to whom benefits are accruing	6	4

Directors accruing pension entitlements during the period under:

	2003 Number	2002 Number
Defined benefit schemes	6	4
Defined contribution schemes	nil	nil

2 other directors are also directors of Royal Mail Holdings plc (2002 – 2) and receive no remuneration in respect of their services to Post Office Ltd.

The highest paid director received emoluments of £346,785 (£119,167 in 2002) and a further £80,754 (£29,673 in 2002) was paid in respect of pension contributions.

The transfer value (in accordance with the Director's Report Regulations 2002) of the highest paid Director's accrued pension benefits at the end of the financial year is £26,005 (2002 £nil)

6. Net interest (payable)/receivable

	2003 **£m**	2002 £m
Included in operating charges:		
Interest receivable	**9**	3
Interest payable	**(3)**	(2)
	6	1

Net interest receivable of £6m (2002 £1m) is included within operating charges on the basis that it arises from operating rather than financing activities.

Notes to the accounts (continued)

7. Taxation

(a) Tax on loss on ordinary activities

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

	2003	2002
UK Corporation tax :	**£m**	£m
Amount surrendered in respect of consortium/group Relief	**(8)**	(10)
Adjustment in respect of prior years	**8**	(3)
Total current tax (note 7b)	**-**	(13)
Deferred tax asset released	**-**	63
Tax on loss on ordinary activities	**-**	50

(b) Factors affecting current tax (credit)/charge

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

	2003 £m	2002 £m
Loss on ordinary activities before tax	**(359)**	(216)
Loss on ordinary activities multiplied by the standard rate of corporation tax	**(108)**	(65)
Deferred relief for asset depreciation and impairment	**12**	11
Depreciation and impairment of non-qualifying assets	**6**	9
Accelerated relief for pension contributions	**(12)**	-
Adjustment in respect of prior periods	**8**	(3)
Losses and other reliefs not utilised	**94**	35
Total current tax	**-**	(13)

(c) Factors affecting future tax charges

The Company has £110m (2002 £35m) of unrecognised deferred tax assets relating to tax losses that are available for offset against future trading profits. The Company also has £158m (2002 £126m) of deferred tax assets relating to other 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 are expected to become available.

The Company has capital losses carried forward the tax effect of which is approximately £1m (2002 £1m). These may be set against future capital gains. The company has rolled over capital gains the tax effect of which totals £7m (2002: £7m). It is expected that gains on assets sold in the year will be fully rolled over in due course.

Notes to the accounts (continued)

(d) Deferred taxation

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

	2003 £m	2002 £m
Included in provision for liabilities and charges (note 13)	-	-
Deferred capital allowances	12	-
Pension contributions timing differences	(12)	
	-	-

At 1 April 2002	-
Deferred tax in profit and loss account (note 6 (a))	-
At 30 March 2003	-

8. Tangible fixed assets

	Land and Buildings					
Cost	**Freehold £m**	**Long lease £m**	**Short lease £m**	**Motor vehicles £m**	**Fixtures & equipment £m**	**Total £m**
At 1 April 2002	**73**	**13**	**66**	**37**	**609**	**798**
Reclassification	(5)	-	6	-	(1)	-
Additions	-	-	-	2	22	24
Disposals - external	(1)	-	(2)	(1)	(2)	(6)
Group transfers	11	-	-	-	-	11
At 30 March 2003	**78**	**13**	**70**	**38**	**628**	**827**
Accumulated depreciation						
At 1 April 2002	33	6	58	3	599	699
Charge for the year	1	-	1	6	3	11
Impairment	12	5	13	30	28	88
Disposals - external	-	-	(2)	(1)	(2)	(5)
Group transfers	3	-	-	-	-	3
At 30 March 2003	**49**	**11**	**70**	**38**	**628**	**796**
Net book amount						
At 30 March 2003	**29**	**2**	**-**	**-**	**-**	**31**
At 1 April 2002	40	7	8	34	10	99

Notes to the accounts (*continued*)

9. Investments

	£m
Cost:	
At 1 April 2002	-
Acquisitions	1
At March 2003	**1**

Acquisitions during the year

During the year the Company entered into a transaction with the Bank of Ireland with each party exchanging assets for shares and/or buying shares for a 50% stake in First Rate Travel Services (FRTS) Holdings Limited, a company incorporated in the United Kingdom. FRTS Holdings Limited has a 100% shareholding in First Rate Travel Services Limited whose principal activities are that of foreign exchange and car hire. Post Office Limited and Bank of Ireland exercise joint control of FRTS Holdings Limited and the arrangement is therefore considered to be a joint venture.

10. Debtors

Receivable beyond one year:

The 2002 amounts have been restated to reflect the net loan position with the parent company resulting in £667m (2003 £27m) being re-classified from debtors - receivable beyond one year, to creditors – amounts due after more than one year (see Creditors note 12).

Receivable within one year:	**2003 £m**	2002 £m
Trade debtors	**17**	60
Amounts due from parent undertaking	-	3
Prepayments and accrued income	**122**	16
Corporation tax	-	13
	139	92

Notes to the accounts (continued)

11. Creditors - amounts falling due within one year

	2003 £m	2002 £m
Client service balances	**1,054**	987
Trade creditors and accruals	**116**	167
Obligations under hire purchase contracts	**34**	36
Amounts due to parent undertaking	**-**	47
Amounts due to agents	**57**	10
Corporation tax	**1**	2
Other taxation and social security	**11**	8
Other	**21**	18
	1,294	1,275

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

12. Creditors - amounts falling due after more than one year

	2003 £m	2002 As restated £m
Amount due to parent undertaking	**715**	420
Obligations under hire purchase contracts	**32**	67
	747	487

The 2002 amounts have been restated to reflect the net loan position with the parent company (see Debtors note 10).

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

Amounts falling due in:	2003 £m	2002 £m
One year or less	**33**	36
More than one but not more than two years	**33**	34
More than two but not more than five years	**-**	33
Total	**66**	103

Notes to the accounts (continued)

13. Provisions for liabilities and charges

	At 1 April 2002 £m	Charged in the year £m	Utilised in the year £m	At 30 March 2003 £m
Redundancy	26	73	(28)	**71**
Other	-	8	-	**8**
	26	81	(28)	**79**

The redundancy and 'other' costs (which principally relate to Cash Centre closures) will be incurred over the period 2003-04 to 2004-05.

14. Called up share capital

The authorised, allotted, called up and fully paid share capital is 50,000 ordinary £1 shares (2002 – 50,000), beneficially owned by Royal Mail Group plc.

15. Reserves

	Profit & loss account £m	2003 Total £m	2002 Total £m
At 1 April 2002	(577)	**(577)**	(311)
Loss for the financial year	(359)	**(359)**	(266)
At 30 March 2003	(936)	**(936)**	(577)

16. Commitments

(i) **Capital commitments**
Capital commitments contracted for but not provided in the accounts amount to £nil (2002 £nil).

(ii) **Operating lease obligations**

The Company is committed to the following payments on operating leases during the next 12 months:

	Land & Buildings 2003 £m	2002 £m
For leases which expire:		
Within one year	**2**	2
Between one and five years	**6**	5
Beyond five years	**9**	10
	17	17

Nôtes to the accounts (continued)

17. Pensions

The Company participates in the occupational pension schemes operated by Royal Mail Group plc, which are defined benefit schemes, as detailed in accounting policy K.

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 Royal Mail Group plc's accounts.

The total pension charge was £26m (2002 £26m). During the year, variations in the standard pension contributions of £25m (2002 £24m) credit were retained in the parent company.

18. Related party transactions

The Company has taken advantage of one of the exemptions conferred by FRS 8 'Related Party Transactions', whereby certain details regarding transactions with Group companies do not have to be disclosed where Group accounts are publicly available.

19. Post Balance Sheet event

On 27 May 2003, the European Commission announced that it had approved the measures proposed by the UK Government to fund, as detailed in note A of accounting policies and general notes, the net public service cost of the network within the Company.

20. Ultimate parent company

At 30 March 2003, the Directors regarded Royal Mail Holdings plc as the ultimate parent company. The results of the Company form part of the Royal Mail Holdings plc Group accounts, which are available from that company's website www. royalmail.com