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BUSINESS POST GROUP PLC

Annual Report & Accounts

2009

imail noun, established 2007 (also see **UK Mail**, founded in 2004) has been designed and developed by UK Mail for first and second class postal users that are looking to lower production and postage costs, reduce the administrative burden, minimise the environmental impact of their organisation and provide much greater control and consistency of their brand values. ukmail.biz

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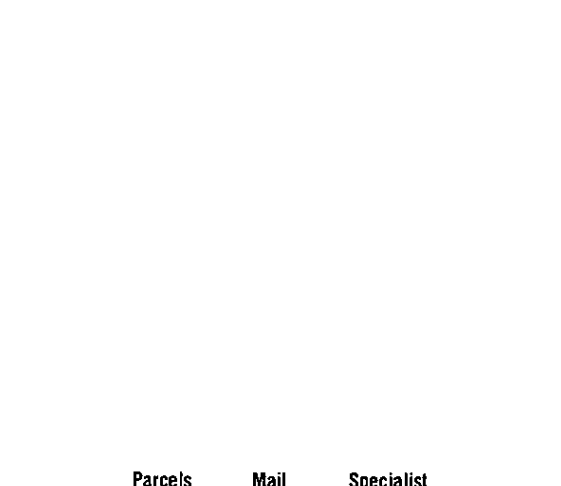
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Introduction

Revenue by Division

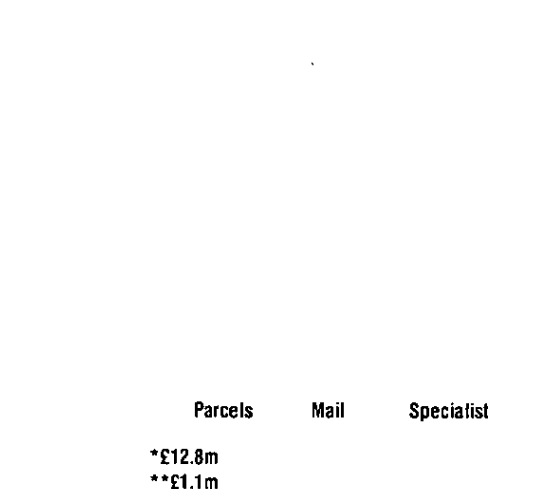


Business Post is the leading independent parcel, mail and logistics services company within the UK and the main alternative to Royal Mail for business mail requirements.

Business Post offers customers a full range of time-sensitive and secure delivery options for parcels, letters and pallets. The Group is organised into three distinct divisions – Parcels, Mail and Specialist Services.

Parcels is the largest division, with revenue of £172.3m in the year ended 31 March 2009, representing 45% of the Group total. Offering primarily next day business-to-business, business-to-consumer and international collection and delivery services. Parcels operates through an extensive national network of 52 UK sites using 2,600 vehicles. This unrivalled infrastructure underpins the Group's wide-ranging service offering supporting all parcel, mail and pallet delivery options.

Operating Profit by Division (Pre-central costs* and exceptional items**)



Mail, comprising UK Mail, was the first organisation to be licensed by Postcomm, the independent regulator, to provide a competitive postal service throughout the UK. It is the Group's fastest growing division collecting up to sixteen million mail items a day for over 1,000 customers, including some of the UK's biggest mailers, and achieved revenue in the year ended 31 March 2009 of £164.5m representing 42% of the Group total. As well as providing a two-day time-definite delivery service UK Mail also offers a range of other value added services for its customers and continues to launch new product innovations.

Specialist Services consisting of the Group's same-day courier, logistics and pallets services generated revenue of £48.9m representing 13% of the Group total. Specialist Services offer a range of fulfilment services, including ad hoc, contract and international courier, logistics and technical courier solutions such as delivery swap-out and high value installation services. UK Pallets provides a dedicated pallet delivery solution operating through a network of around 80 independent distribution and logistics specialists with a range of next-day and three-day delivery options.

All the divisions share a reputation for high quality delivery performance and excellence in customer service, using information systems that are at the forefront of the industry.

The Chairman's Statement

Over the past three years, Business Post's performance has been transformed and we are now the UK's leading independent integrated postal group.

Over the past three years, Business Post's performance has been transformed and we are now the UK's leading independent integrated postal group. Our aim now is to consolidate this position, using our highly efficient and integrated network to drive profitable revenue growth.

We have again made good progress in the year, despite the challenging trading environment in the second half. We have reacted quickly to the changing conditions, reducing our cost base further which helped us to deliver another significant improvement in financial performance.

UK Mail achieved good revenue and profit growth, and further increased its market share. Parcels profits increased with reduced operating costs more than offsetting the impact of lower revenues, and here also we grew market share. Specialist Services also performed well.

Results

Group revenue increased by 7.6% to £386m (2008: £359m). The main factor was the continued good growth of UK Mail where revenues increased by 19.8% to £164m (2008: £137m).

Profit before taxation (before exceptional items) increased by 23.2% to £17.5m (2008: £14.2m). Profit before taxation (after exceptional items) increased by 15.5% to £16.4m (2008: £14.2m).

Businesses

Our Mail business, UK Mail, is a leading supplier in the mail market. We have developed a significant infrastructure for this business, including a nationwide network of mail sortation centres. Our operational model is that mail is sent through the same network as parcels allowing us to optimise our operations.

As we reach the fifth anniversary of the creation of UK Mail we now collect some 17% of the mail in the UK. Our Mail business is less exposed to levels of economic activity as some 70% of the volume it handles is statement traffic. We continue to see good growth prospects for this business, as we develop new products and services that increase the market available to us.

Our Parcels business is one of the leading express parcels carriers in the UK. The majority of parcels revenues are derived from a concentration on the business to business market, which represents some 80% of parcels revenues. This is where our focus will remain.

The revenues for this business were affected by the changed economic conditions in the second half of the financial year. We have however taken significant steps to improve the operational efficiency and effectiveness of this operation.

Specialist Services serve an important role by providing additional delivery options to customers. These services, principally in the areas of courier and pallet distribution, are becoming increasingly valuable to the Group and our customers and we have recently won a number of new contracts.

Board of directors

Philip Stephens will retire as non-executive director in July 2009, having joined the Board in April 2004. On behalf of the Board I would like to thank Philip for his much valued advice over that period and wish him well in his retirement. I would like to welcome Trevor Jenkins to the Board, his broad financial experience will be a major benefit to the business. We have started the process of appointing a successor to Philip, and expect to have completed this process by September 2009.

Dividends

The Board recommend a final dividend of 10.8p per share (2008: 10.8p) giving a total dividend for the year of 17.2p per share (2008: 17.2p). The total dividend for the year is covered 1.3 times by adjusted earnings (excluding exceptional items) (2008: 1.0 times).

Staff and associates

I would like to thank all of our staff, and our associates working with our franchise operations and our pallet network for the strong support they have provided throughout the year.

Outlook

Our business model and strategy, underpinned by a strong balance sheet, are proving resilient in the current economic climate. After the successful implementation of change programmes over the past three years, we are now successfully building revenue streams across a broader base of activities and with a focus on longer term contracts in areas less directly exposed to levels of economic activity. We are well positioned to continue to develop our business and to benefit from further market share gains in all business areas.

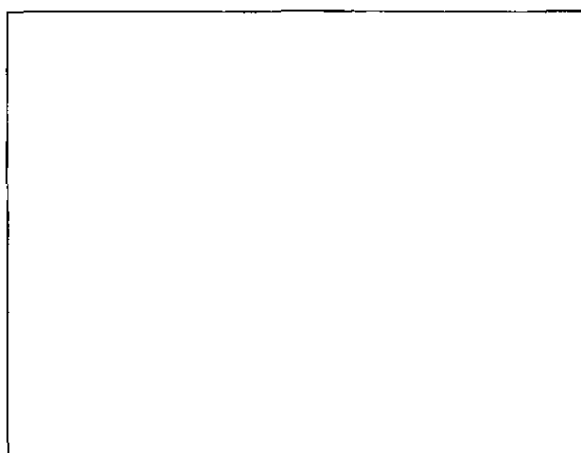
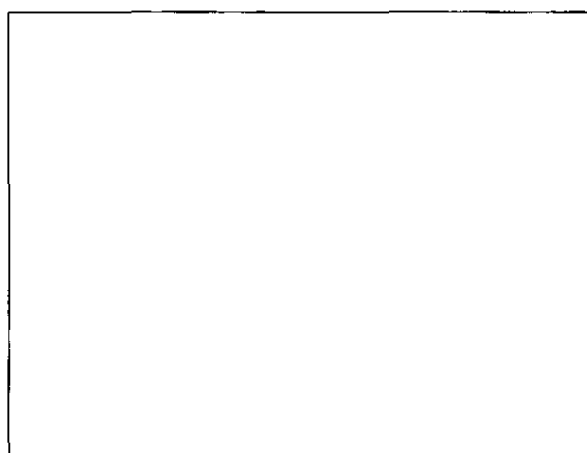
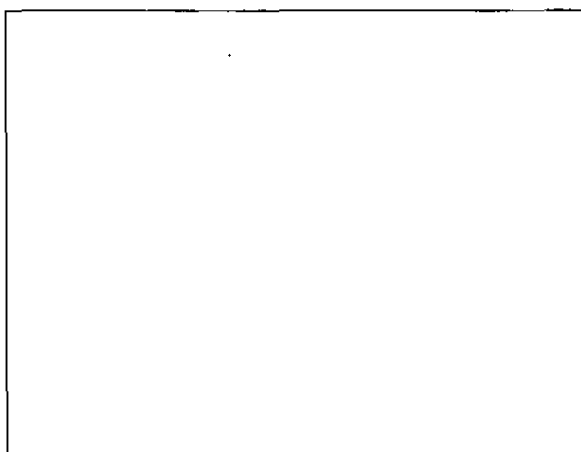
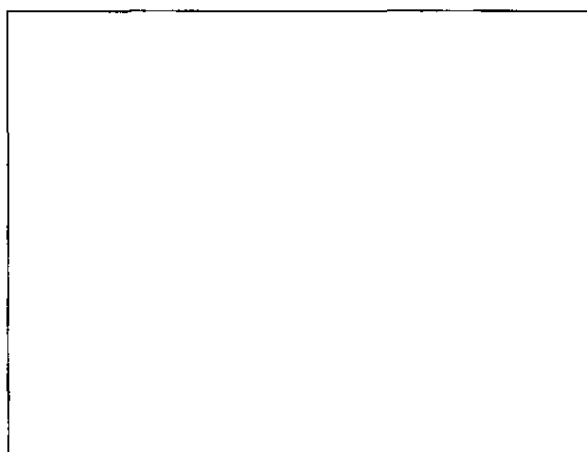
Our plans and management actions are based on an assumption that economic conditions will remain challenging throughout the current financial year. We have identified further cost reduction initiatives, as well as a number of potential growth opportunities, to offset the volume impact of the recessionary conditions. The financial benefits of the recently awarded mail contracts will be felt progressively during the first half of the year.

Trading in the early weeks of the new financial year has been in line with management expectations. Whilst there have been some tentative signs of an improvement in market conditions, it is too early to discern any sustainable trend. However, we are encouraged by our performance to date and are confident of the Group's ability to continue to outperform the markets in which we operate.

Peter Kane
Chairman

Highlights

- ▶ Group revenues up 7.6% to £386m (2008: £359m)
- ▶ UK Mail revenues up 20% to £164m (2008: £137m)
- ▶ Profit before tax (before exceptional items) up 23% to £17.5m (2008: £14.2m)
- ▶ Profit before tax (after exceptional items) up 15% to £16.4m (2008: £14.2m)
- ▶ Adjusted earnings per share * up 26% to 22.7p (2008: 18.0p)
- ▶ Basic earnings per share down 5% to 17.1p (2008: 18.0p)
- ▶ Final dividend of 10.8p per share (2008: 10.8p)



* Before exceptional items

Business Review Strategy

- ▶ Further year of strategic and operational progress
- ▶ Good growth in Mail, market leadership further enhanced
- ▶ Parcels profits improved, and outperformed the market
- ▶ Specialist Services significantly ahead of last year

Business Review Strategy

We are focused on ensuring that our network continues to operate at the highest levels of efficiency, and on using that integrated network to drive profitable revenue growth.

The Group has again made good progress in the year. We have reacted quickly to the changing economic conditions to reduce our cost base further, whilst continuing to improve customer service and grow our market share. UK Mail has achieved good growth in revenues and profit, driven by new business wins and further mail volumes from existing customers. We continue to make significant gains in market share, and to develop innovative new products to increase the proportion of the market available to us.

Parcels revenues are down on the previous year, reflecting the difficult economic environment in the second half, although we are confident that we outperformed the market. Parcels profits increased on last year as we have reduced our operating costs, more than offsetting the impact of the lower revenues. After three years of rigorous management action, the Parcels business is now a highly effective and competitive player in the market, with its underlying operating margin improved by 0.9% to 9.5% in the year.

Revenues and profits in Specialist Services were up significantly on last year, with new national contracts driving a strong improvement in our Courier business, and a lower cost base delivering significant margin improvement.

Overall we have achieved a further significant improvement in financial performance against the prior year. Group revenues grew by 7.6% to £385.7m and profit before tax at £17.5m (before exceptional charges of £1.1m) was 23.2% up on last year. At the year end, net cash balances had increased to £9.5m (2008: £6.2m).

STRATEGY

Our strategy is based on four key pillars:

An integrated management approach

The integration of our business streams is key to our strategy, we see this as both providing operational and sales opportunities as well as giving us a unique proposition in the market. There is no other business in our sector which provides the range of mail/package delivery solutions we offer that operates in such a 'joined up' manner as we do, with our integrated sales teams, customer relationship managers and network operations.

The integration of our sales teams allows us to adopt a focused approach to selling, concentrating on the range of services a customer may require, rather than solely selling a particular product area.

The integration of our network operations allows us to gain economies of scale and drive down operating costs which provides an efficient low cost network, allowing us to improve our profitability whilst offering very competitively priced services to our customers.

Customer orientation of our Parcels business

In addition to the low cost solution our integrated network supports, we believe the key to developing our parcels business is to understand and meet the changing requirements of our customers. We seek to understand the requirements of our customers through our dedicated customer care team, customer surveys and a culture of listening to customers.

The opportunities identified are then progressed through a specific project team, with the support resources needed to ensure timely implementation.

Building further on our leading position in the deregulated mail industry

In 2004 UK Mail was one of the first UK operators to obtain a licence to compete with Royal Mail. Since that time we have consistently led the market in customer service levels, and product innovation.

We see these factors as key differentiating factors in the UK mail market and continue to invest in them to ensure our continued leadership position.

Exploitation of new opportunities in Specialist Services

Our specialist service businesses, Pallets and Courier, offer a range of delivery services that complement our Mail and Parcels businesses. We see significant opportunities to extend our offering in these areas. We have introduced a range of additional services including fulfilment, local storage and delivery and mobile phone delivery and 'swapout'.

We will continue to seek to introduce new initiatives in these areas.

STRATEGIC PROGRESS

Over the past three years, the operational and financial performance of Business Post has been very successfully transformed. We have effected wholesale changes to the operational management teams; we have reversed the structural and operational weaknesses in the Parcels business and turned it into a business delivering market leading performance; we have built UK Mail into a clear market leader; we have created an integrated business model both in terms of our network and our business development processes; we have achieved significant reductions in our cost base whilst improving our customer service levels; and we have delivered margin improvement across the group.

As a result, Business Post has become the UK's leading independent integrated postal group.

Our aim now is to consolidate this position. We are focused on ensuring that our network continues to operate at the highest levels of efficiency, and on using that integrated network to drive profitable revenue growth. We will achieve this by developing innovative new products and services, and by capitalising on our leadership and differentiated positioning to increase both the size of the market available to us and our share of that market, regardless of the trading conditions.

Business Review Mail

- ▶ Continued good growth in revenues and profit
- ▶ Market share increased to 17%
- ▶ Strong flow of new business wins, volume gains and retentions
- ▶ Service levels further improved

Business Review Mail

The improvements in our overall network performance, together with increased focus on mail customer service, has led to further enhancements in our already industry leading mail service levels.

UK Mail showed further good growth in both revenues and profit. As expected and as previously signalled, the rate of growth has moderated from the very high levels previously achieved, but the business enjoyed continued success in attracting significant new as well as retaining, and generating further mail growth from existing customers. As a result, volumes handled rose 33% to 2,322m and revenues rose 19.8% to £164.5m. We now enjoy a market share, by volume of mail collected in the UK, of some 17%, compared to 11% a year ago.

UK Mail operating profits were up 16.0% to £11.6m, reflecting the good revenue growth offset by a slight decrease in the operating margin to 7.1% (2008: 7.3%).

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

The improvements in our overall network performance, together with increased focus on mail customer service, has led to further enhancements in our already industry leading mail service levels.

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

We have recently won three important new contracts with leading financial services organisations who are increasingly attracted to the efficiencies that we can offer. These contracts are in the process of being implemented and the resultant volumes will come on stream progressively during the first half of the year.

To date, we have offered business customers a two-day time-definite service, meaning that the available market to us is some 33% of the total UK postal market by volume. Recent and ongoing product innovation will open up new areas of the market for us and will further reinforce our position of market leadership.

'iMail', launched late last year, is a next day or two day mail service allowing customers of any size to transmit electronically mail items to our network of mail

centres where it is printed, enveloped and sent for next day national delivery. iMail is developing a growing customer base and we continue to introduce new facilities to the service to further improve the benefits it offers.

Our other product innovations - 'Disguised Mail', which involves the concealing of sensitive mail items as ordinary mail and 'Returned Mail', which provides efficient returned mail handling for our customers - continue to expand their customer base.

This and other planned product innovation will increasingly allow us to provide our customers with a wider range of mail solutions and efficiencies, whilst significantly differentiating ourselves from our competition.

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

Business Review Parcels

- ▶ Operating profit and margin increased, driven by high levels of efficiency - margins at 9.5% for the year
- ▶ Important major new contracts secured – B2B and B2C
- ▶ Overall efficiency and service levels to customers improved

Business Review

Parcels

We have reversed the structural and operational weakness in the Parcels business and turned it into a business delivering market leading performance.

Revenues in Parcels, which comprises the Group's business-to-business, business-to-consumer and international parcel delivery service, were down 4.2% for the year to £172.3m (2008: £179.8m). Revenues showed good growth in the first half, but were down in the second half reflecting the increasingly difficult economic environment. However, operating profit increased by 6.5% to £16.4m with the operating margin increasing by 0.9% to 9.5% as our operations continued to achieve high levels of efficiency, enabling us to reduce our operating costs. The UK express parcels market as a whole declined significantly during the second half and we are therefore confident that we have gained market share, through a strong sales effort combined with a low cost network which allows us to win profitable business in competitive tenders.

We continue to be successful in attracting significant new corporate customers, including a large premium service B2C contract for a leading UK high street retailer, and a major B2B contract for one of the world's largest office supplies companies. At the same time, we see good growth opportunities in the Small & Medium Enterprise marketplace, to which our highly efficient and flexible network and systems are well suited.

In support of our strategic objective, to progress further the customer orientation of our parcels business, we have implemented a number of initiatives.

We have introduced a network of regional customer care centres that aim to provide customers with a single point of focus, covering booking collections, checking the status of deliveries and general enquiries. We have recently completed a customer survey which shows customer satisfaction levels at record highs. We have also further improved our delivery performance such that over 98% of deliveries are made to the agreed timescales.

We have a range of further initiatives planned which make it easier for customers to do business with us and provide additional facilities to them.

At the start of the year we put in place plans to improve the efficiency and effectiveness of our Parcels operation, strengthening operational management at all levels, and introducing new mechanisms to plan and manage our operations to achieve challenging targets. As the economic situation worsened we acted quickly to reduce our cost base further, with a particular focus on our fixed costs. These actions included the closure of six sites, reducing the total to 52, a reduction in our vehicle fleet of some 15%, and a significant number of staff reductions.

These changes, which incurred an exceptional cost of £0.8m, a major factor in the overall exceptional cost of £1.1m have been successful in that we have managed to substantially reduce our cost base whilst further improving service levels to customers.

We have actions planned to reduce our cost base still further. The main focus will be to implement partial automation into our network, which will yield significant efficiency savings, and on which we currently plan to invest some £2.0m in the coming year.

References to operating profit/margin throughout this report are excluding exceptional items.

Business Review Specialist

- ▶ Strong growth in revenues and profits
- ▶ Development of nationwide integrated network
- ▶ High service levels supporting new contract wins
- ▶ Attractive and flexible options

Business Review Specialist

Both our Specialist Services businesses have taken action to further reduce their cost base, and this has been a major factor in the increase in the operating margin.

Overall revenues in Specialist Services, comprising our nationwide palletised goods delivery service (UK Pallets) and same-day courier activities (UK Mail – Courier) increased by 17.8% to £48.9m (2008: £41.5m). Overall, Specialist Services operating profits increased by 92.3% to £2.5m (2008: £1.3m).

Both our Specialist Services businesses have taken action to further reduce their cost base, and this has been a major factor in the increase in the operating margin to 5.1% (2008: 3.1%).

Pallets

UK Pallets again performed well, with revenues up 1.3% for the year to £30.8m and good profit growth driven by improvements in the quality of the pallet network, management and marketing initiatives.

This business, like our parcels business, showed good revenue growth, in the first half but the second half performance was impacted by the economic environment with revenues down. This performance was nonetheless ahead of the market, and this business is therefore also gaining market share.

The growth of this business is based on a strong member network of some 80 members who provide localised collection and delivery services together with trunking to our central hub. This improved network has allowed us to increase the scope and quality of the services provided by UK Pallets to its customers.

We have also invested in technology to improve the efficiency of our operation and the quality of information provided to members and our customers.

Courier

Our Courier business provides a range of services which principally involve same-day delivery of packages.

Revenues in our Courier business increased significantly by 63.1% to £18.1m, with profit also well ahead. This reflects the successful implementation of our strategy to develop a nationwide network of couriers to allow us to win and effectively support national courier contracts.

We have developed the business such that we now have a nationwide network supported by industry leading technology. We have developed a range of services for customers. These include: fulfilment, whereby we hold stock centrally for customers for national same-day delivery, 'istore', where we hold stock locally for customers for local time sensitive delivery, mobile phone delivery and 'swapout', where we deliver mobile phone replacements to customers to set delivery timescales with the facility to collect and return the replaced item.

More developments are planned to further increase the services we provide.

We commenced a number of new contracts in the period, and we see further opportunities to build on the advantages that our network gives us, and on our proven ability to support national contracts with high service levels.

We see significant opportunities for this business to benefit from existing customer relationships elsewhere in the Group, particularly in the telecoms and financial services sectors.

References to operating profit/margin throughout this report are excluding exceptional items.

Business Review

Financial Overview

The Group has again reported good profit growth, which combined with a continued focus on cash management has resulted in a strong balance sheet.

Financial overview

Despite the challenging economic environment we experienced in the second half of the financial year, the Group again reported good revenue and profit growth. The Group continues to be highly cash generative, increasing cash balances to £18.0m at the year end, at the same time as reducing total debt by £1.7m.

Performance measures

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

Financial

- Revenue growth
- Operating profit
- Operating profit margin
- Return on average capital employed
- Earnings per share (EPS)
- Free cash flow
- Debtor days

Each of these performance measures are commented upon within the tables contained in this review.

Further performance measures relate to the success and safety of our people, and environmental performance.

People

- Accident/incident rates (RIDDOR percentage)
- Health and safety compliance

Environmental

- ISO 14001 implementation
- CO₂ emissions
- Waste recycling

We are currently developing our reporting systems and expect to report on these in future years.

Revenue

Revenue increased by 7.6% to £385.7m (2008: £358.6m).

	2009 £m	2008 £m	Inc/(Dec) %
Parcels	172.3	179.8	(4.2%)
Mail	164.5	137.3	19.8%
Specialist Services	48.9	41.5	17.8%
Total	<u>385.7</u>	<u>358.6</u>	<u>7.6%</u>

Parcels revenues have declined by 4.2% to £172.3m (2008: £179.8m). Revenues showed good growth of 2.6% in the first half, but were down some 10% in the second half reflecting the increasingly difficult economic environment.

UK Mail revenue increased by 19.8% to £164.5m (2008: £137.3m), reflecting both further contract wins, and volume increases from existing customers.

Specialist Services revenues increased by 17.8% to £48.9m (2008: £41.5m), reflecting a number of contract wins in the period.

Profit before taxation

	2009 £m	2008 £m	Inc/(Dec) %
Parcels	16.4	15.4	6.5%
Mail	11.6	10.0	16.0%
Specialist Services	2.5	1.3	92.3%
Central Costs	(12.8)	(12.2)	(4.9%)
Operating profit before exceptional items	17.7	14.5	22.1%
Exceptional items	(1.1)	-	(100%)
Operating profit after exceptional items	16.6	14.5	14.5%
Interest	(0.2)	(0.3)	33.3%
Profit before taxation	16.4	14.2	15.5%

Profit before tax increased by 15.5% to £16.4m (2008: £14.2m).

Operating profit (before exceptional items) increased by 22.1% to £17.7m (2008: £14.5m) mainly due to the continued strong profit growth of UK Mail, together with improvements made within the Parcels operation.

Exceptional items

The Group reported total exceptional costs of £3.0m (2008: £nil).

Of this, £1.1m (2008: £nil) relates to the programme we instigated to reduce our cost base in the light of the changed economic environment. This programme involved a number of initiatives including reducing headcount and the closure of 6 sites, resulting in redundancy costs of £0.8m and property related costs of £0.3m.

The exceptional tax charge of £1.9m comprises the write-off of a £2.2m (2008: £nil) deferred taxation balance resulting from the phase abolition of UK Industrial Building Allowances ('IBAs') following enactment of the Finance Act 2008, offset by £0.3m (2008: £nil) tax relief in respect of the exceptional restructuring cost referred to above.

Net finance costs

Net finance costs decreased to £0.2m (2008: £0.3m), the result of strong cash generation and the Group's continued focus on cash management. Interest cover is 83.0 times (2008: 48.3 times).

Return on average capital employed

	2009 £m	2008 £m
Total equity	54.9	54.0
Total debt	8.5	10.2
Capital employed	63.4	64.2
Average capital employed	63.8	64.8
Profit after tax	9.3	9.7
Return on average capital employed	14.6%	15.0%

The return on average capital employed decreased slightly to 14.6% from 15.0%, mainly as a result of the one-off write-off of a £2.2m deferred taxation balance in respect of UK Industrial Building Allowances following enactment of the 2008 Finance Act (see note 7). Excluding this effect, the return on average capital employed increased from 15.5% to 18.0%.

Business Review

Financial Overview

Earnings per share

Basic earnings per share decreased 5% to 17.1p from 18.0p last year.

Adjusted earnings per share (before exceptional items including the one-off deferred tax write-off following the abolition of IBAs) increased 26.1% to 22.7p from 18.0p last year.

The average number of shares used in calculating the basic earnings per share in the year was 54,049,420 compared to 54,068,346 last year.

Taxation

The tax charge for 2009 was £7.1m (2008: £4.5m) which reflects an effective rate of 43.4% (2008: 31.7%). The charge includes a £2.2m write-off of deferred tax following the phased abolition of IBAs in the UK Finance Act 2008.

Adjusting for this one-off non-cash item, the effective rate was 29.9% (2008: 31.7%).

Dividend

The Board proposes a Final Dividend of 10.8p (2008: 10.8p), resulting in an unchanged total dividend for the year of 17.2p (2008: 17.2p). The total dividend for the year is covered 1.3 times (2008: 1.05 times) by adjusted earnings, and 1.0 times (2008: 1.05 times) by earnings. The Final Dividend will be paid on 14 August 2009 to shareholders registered on 24 July 2009 with an ex-dividend date of 22 July 2009.

Cash flow

	£m	£m
Cash from operations	25.6	25.7
Tax paid	(4.6)	(3.9)
Capital expenditure	(8.3)	(5.6)
Interest	(0.2)	(0.3)
Free cash flow	12.3	15.9
Dividends	(9.3)	(9.3)
Other movements	(1.6)	(2.2)
Increase in cash	1.6	4.4

The Group had a net cash inflow of £1.6m (2008: £4.4m) in the period, leading to a cash position at the end the year of £18.0m (2008: £16.4m). Cash inflow from operating activities totalled £25.6m (2008: £25.7m), including £0.8m (2008: £4.0m) of cash released from working capital. Capital expenditure for the period was £8.3m (2008: £5.6m).

A vital component of the cash release from working capital is the improvement in debtor days. This represents the length of time it takes for the Company to receive payments from its debtors.

	2009 £m	2008 £m
Debtor days	36.2	41.0

The Group's continued focus on cash management resulted in a 4.8 day reduction in average debtor days to 36.2 days (2008: 41.0 days).

	2009 £m	2008 £m
Total assets	123.2	125.3
Total liabilities	(68.3)	(71.3)
Net assets	<u>54.9</u>	<u>54.0</u>
Net cash	9.5	6.2

Net assets

Net assets increased by £0.9m to £54.9m.

Net cash

At March 2009 the Group held net cash of £9.5m (2008: £6.2m), resulting from continued improvements in working capital management and reduction in both finance lease and loan borrowings.

The Group remained ungeared at both 31 March 2009, and 31 March 2008.

Treasury risk management

The treasury function of the Group operates within policies and procedures approved by the Board. These procedures cover funding, banking relationships, foreign currency, interest rate exposures and cash management.

The Group has considered carefully its cash flows and banking covenants for the next three years. These have been appraised in light of the current economic climate and on a number of forecast scenarios. As such, conservative assumptions on profitability and working capital performance have been used to determine the level of financial resources required by the Group and to assess liquidity risk.

The Group continually assesses its actual and forecast cash position on a weekly basis. This ensures that in the short term the Group's cash is used optimally. Each month a medium term review of the forecast is undertaken to ensure full compliance with the banking covenants.

The Group's strong levels of operating cash flow and low indebtedness mean that it is not significantly exposed to liquidity risk.

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

The Group's exposure to any significant interest risk is minimal due to the relatively low level of debt.

Primary risks and uncertainties facing the business

The Group has an established risk management monitoring and review process as described in the Corporate Governance Report on pages 18 to 21. The process requires management of the business to identify, evaluate and monitor risks and takes steps to reduce, eliminate or manage those risks. The risk management plan is reviewed by the Board.

The primary risks and uncertainties facing the business which could have a material adverse impact on the Group are detailed in note 35.

Accounting policies and critical accounting judgements

The Group accounts are prepared using accounting policies in accordance with IFRS as adopted by the EU. The principal accounting policies are set out in note 1 to these financial statements.

The preparation of these accounts requires the use of estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Directors' estimates are based on historical experience, consultation with experts and other methods that they believe are reasonable and appropriate.

The critical accounting judgements in applying these policies are detailed in note 34.

Guy Buswell
Chief Executive

Steven Glew
Finance Director

Directors & Advisers

Peter Kane (62) Chairman

Founded the Company and, with Michael Kane, his brother, was responsible for its development until becoming a non-executive director in 1996. After a period as Chief Executive from August 1998, he resumed his non-executive role on 1 April 2001, and was appointed Chairman on 10 July 2001.

Guy Buswell (47) Chief Executive

Joined Business Post in 1989 and was appointed Sales Director in 1992. After a period elsewhere in the industry he rejoined the Company in 1997 and was appointed to the Board on 12 August 1998. Became Managing Director of UK Mail from 1 July 2002, and Chief Executive of the Group from 5 December 2005.

Bill Cockburn CBE, TD (66) Deputy Chairman

Was Chief Executive of The Post Office from 1992 to 1995, Chief Executive of WH Smith from 1995 to 1997 and Group Managing Director of BT from 1997 to 2001. He was appointed as a non-executive director on 1 April 2002.

Steven Glew (52) Group Finance Director

Was appointed as Group Finance Director and joined the Board on 5 June 2006. He has held senior financial positions in Tesco Stores plc. He was also Group Finance Director of: Crown Sports plc, Booker plc and Mothercare plc.

Alec Ross (53) Group Operations Director

Joined the Company in June 1997 with 20 years experience in systems development in transport and logistics and was appointed to the Board as IT Director on 15 September 1998. He became Group Services Director on 5 December 2005 and Group Operations Director on 20 January 2007.

Trevor Jenkins (49) Non-Executive Director

The newest member of the Board, having been appointed on 1 September 2008. Trevor is Chief Financial Officer of Reed Business Information, a division of Reed Elsevier Group Plc and has previously held senior financial roles at Pearson Plc and Mars Inc.

Michael Kane (59) Non-Executive Director

Joined Business Post in 1974, became Managing Director in 1984, Chief Executive in November 1995 and non-executive director in March 1997. Acted as Chief Operating Officer from July 2000 until resuming his non-executive role on 1 April 2001.

Philip Stephens (66) Non-Executive Director

Was appointed a non-executive director on 1 April 2004. He is non-executive Chairman of Egdon Resources and Neptune-Calculus Income & Growth VCT, and a non-executive director of Foresight 4 VCT. Until his retirement in 2002, he had been involved in corporate finance and broking for more than 35 years.

Stockbrokers and Financial Advisers	Investec Investment Banking 2 Gresham Street London EC2V 7QP
Financial PR	Hogarth Partnership No 1 London Bridge London SE1 9BG
Auditors	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge UB8 1EX
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
	Martineau Johnson LLP No 1 Colmore Square Birmingham B4 6AA
Bankers	Lloyds TSB 125 Colmore Row Birmingham B3 3SF
	Barclays 1 Churchill Place Canary Wharf London E14 5HP
Registrars	Equiniti Aspect House Spencer Park Lancing West Sussex BN99 6DA
Registered Office	Express House 464 Berkshire Avenue Slough SL1 4PL

Corporate Governance

The Listing Rules of the UK Listing Authority require listed companies to disclose how they comply with the principles of good governance and the code of best practice known as the Combined Code. The Code was originally adopted in 1998 and was revised during 2003 and again in 2006. This statement, which incorporates the statement on corporate social responsibility, explains how the Company has applied the principles of good governance set out in the Code.

The Board

During the year Business Post maintained a balance of executive and non-executive directors, bringing a wide range of skills and experience to the Board. Biographical details of the current directors are set out in the Directors and Advisers statement. Of the six non-executive directors that served on the Board during the year, Philip Stephens and Trevor Jenkins are judged to be independent according to the guidelines set out in the Combined Code.

The Combined Code states that the Board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances, which are likely to affect or could appear to affect, the director's judgement, for example serving on a board for more than nine years, or has had a material business relationship within the last three years.

Dennis Clark had been appointed to the Board as non-executive director on 1 October 1998, and later also appointed as senior independent director. Therefore he had, as from 1 October 2007, served on the Board for more than nine years. The Board evaluated Dennis Clark's character and judgement and found it was consistent throughout and had satisfied themselves that Dennis Clark remained independent. Dennis Clark retired from the Board in July 2008. Michael and Peter Kane are not judged to be independent due to their significant shareholdings. Bill Cockburn previously had a consultancy agreement which included incentives in relation to the performance of UK Mail. These incentives vested in May 2008, with payment of his entitlement shortly thereafter. Bill's role since that time has been solely as a non-executive director. The Board has evaluated Bill Cockburn's character and judgement, and his performance since that date, and have satisfied themselves that Bill Cockburn acts as an independent director. The other two non-executive directors are considered by the Board to be independent in character and judgement and having no relationships which are likely to affect, or could appear to affect, the directors' judgement. All the non-executive directors make a significant contribution to the functioning of the Board and its committees, and no one individual or group dominates the Board's decision-making process.

Philip Stephens retires from the Board in July 2009 and will not put himself forward for re-election at the forthcoming Annual General Meeting. The process to recruit a successor is in progress using the services of specialist recruitment consultants, under the guidance of the Nomination Committee.

All directors are required by the Company's Articles of Association to submit themselves for re-election at least every three years or, in the case of any person appointed by the directors as a director during the last year, such director is required to submit themselves for re-election at the next Annual General Meeting. The names of those directors standing for election/re-election to the Board this year are set out in the Notice of the forthcoming Annual General Meeting. There are two non-executive directors and one executive director standing for re-election at the Annual General Meeting and the Board strongly supports their re-election for the reasons set out in the Directors' Report.

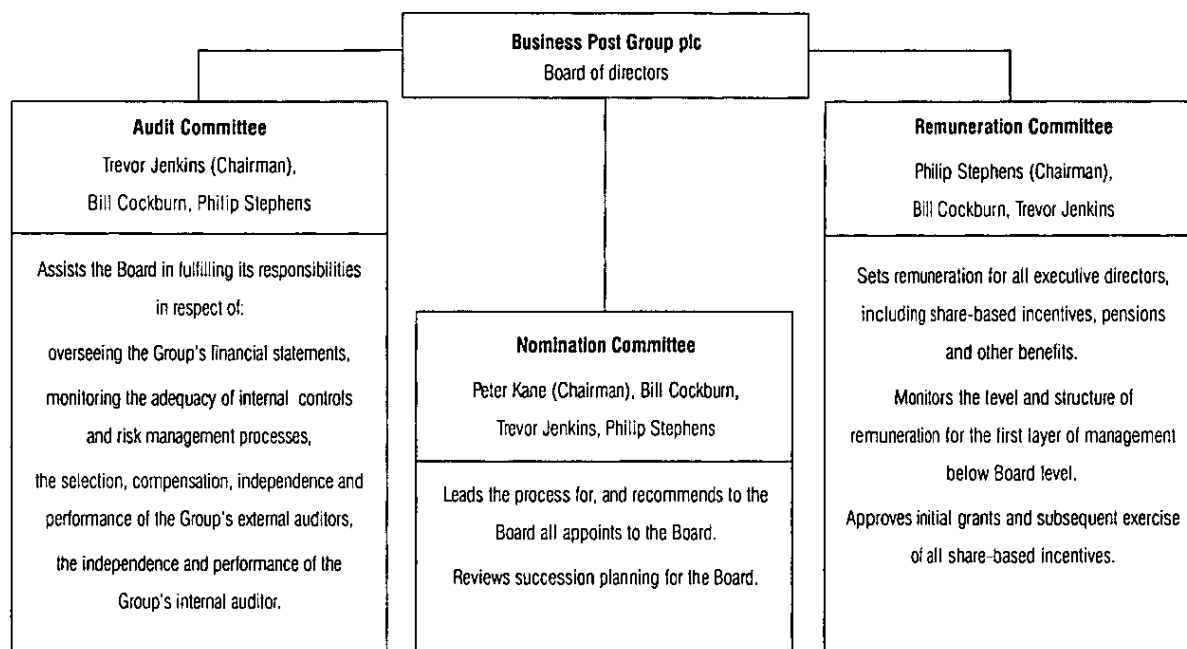
The Company's policy is that executive directors may take no more than one non-executive directorship of another company, and any such involvement must be subject to the Board's prior approval. No executive director currently has any such appointments.

The Board's focus is on strategy formulation, policy and control. There is a formal schedule of matters reserved for decision by the Board which retains all major operational and risk management decisions with the Board. These include the approval of major items of expenditure or commitment, including acquisitions; major operational projects, including new contract wins; financing, including lease/buy decisions and the use of derivatives and insurance; and changes in policy relating to the franchise network. The Board routinely monitors the various financial, operational and commercial risks facing the Company through reports from management.

The Chairman is primarily responsible for the working of the Board, and the Chief Executive for the running of the business and implementation of Board strategy and policy. There is a clear division of responsibilities between the Chairman and the Chief Executive and this has been agreed by the Board. The Board meets formally at least ten times a year, with other meetings as necessary. The Board receives reports in advance of each meeting from the Chief Executive and Finance Director addressing the financial performance of the Company and developments since the previous meeting, with further reports on particular issues as appropriate. Reports are also supplied to directors in months when a Board meeting does not take place. All directors have access to the advice and services of the Company Secretary, and there is a procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

The Board has a number of committees, the principal ones being the Audit, Remuneration and Nomination committees. Membership of these committees as at April 2009 and their principal terms of reference are set out in the next page.

Corporate Governance



Throughout the year ended 31 March 2009, Peter Kane was a member of the Remuneration and Audit Committees and Chairman of the Nomination Committee, resulting in non-compliance with the Combined Code's provisions A.4.1, B.2.1 and C.3.1 that membership of the Remuneration and Audit Committees should comprise entirely independent directors and that the Nomination Committee should comprise a majority of independent directors. However, with over 30 years of in-depth experience of the business, and as a significant shareholder, the Board believes that his membership of these committees is appropriate and that he brings invaluable knowledge and experience to their operation.

To improve compliance with the Combined Code it has been agreed by the Board that, with effect from April 2009, Peter Kane will no longer be a member of the Audit and Remuneration Committees.

The following table shows the attendance of directors at regular Board meetings and at meetings of the Audit, Remuneration and Nomination Committees during the year.

	Board	Audit	Remuneration	Nomination
Number held	11	3	3	2
Guy Buswell	11	3*	2*	
Dennis Clark (retired 31 July 2008)	5	1	2	
Bill Cockburn	11	3*	3*	2
Steven Glew	11	3*		
Trevor Jenkins (appointed 1 Sept 2008)	6	2	1	1
Michael Kane	11	2*	1*	
Peter Kane	11	3	2	2
Alec Ross	11			
Philip Stephens	11	3	3	2

* Attendance by directors who are not members of the committee was at the request of the Chairman of the committee.

The Nomination Committee met twice during the year to approve the appointment of Trevor Jenkins to the Board and to consider the appointment of a non-executive director to replace Philip Stephens. For appointments to the Board the committee play a key role; agreeing the principal job description, appointing independent recruitment consultants, and interviewing the preferred candidates.

Corporate Governance

During the year, the directors have again reviewed the effectiveness of the Board as a whole and its committees. The individual directors initially completed separate questionnaires, and the results were compiled and analysed by the Company Secretary, who prepared a summary report for the Board. The areas covered included Board and committee composition, dynamics and accountability; preparation for and performance at meetings; and induction and professional development.

In addition to regular Board meetings, the Chairman regularly convenes meetings of the non-executive directors to assess the performance of the Board in the absence of the executive directors. The performance of the Chairman was considered as part of the questionnaires completed by the directors and discussed separately by the non-executive directors without the Chairman present. The Board and its committees are satisfied that they are operating effectively.

Directors' remuneration

The Board considers that the Company complies with the main principles of the Combined Code in relation to remuneration, by having a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of directors. No director is involved in deciding his own remuneration. A significant proportion of remuneration is structured so as to link rewards to corporate and individual performance. The Board believes that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully, but without paying more than is necessary. Details of directors' remuneration are set out in the Remuneration Report.

Relations with shareholders

Whilst there is a substantial shareholding represented on the Board, the Company values its dialogue with both institutional and private investors. Two-way communication with institutional investors, analysts and private investors is actively pursued, and a series of presentations and meetings are held throughout the year, carefully recognising statutory constraints concerning the disclosure of information. Feedback from these meetings is collated by the Company's advisers and circulated to members of the Board to ensure that they are kept informed concerning the views of shareholders. In addition, the Chairman periodically attends meetings with shareholders, and non-executive directors are invited to attend results presentations.

This year's Annual General Meeting will be held on 15 July 2009 at which time the chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholder questions. The Company will continue its practice of proposing Individual resolutions, including separate resolutions relating to the Directors' Report and Accounts and the Remuneration Report, and of reporting the proxy voting in respect of each resolution.

Accountability and directors' responsibilities

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

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

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Corporate Governance

The directors are responsible for the maintenance and integrity of the Group website www.businesspost.biz. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal controls

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

The Turnbull report issued by the Institute of Chartered Accountants in England and Wales in September 1999 provided further guidance as to how the Combined Code principles on internal control should be applied in practice.

The Board considers that the Company has complied with the Turnbull report throughout the year. There is a formal ongoing process for identifying, managing and reviewing any changes in the risks faced by the Company. This process operates under the direction of, and is regularly reviewed by, the Board that is satisfied with the level of effectiveness of the internal control system.

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

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

Details of the Group's activities in relation to its environmental, employment and health and safety responsibilities are set out in the Corporate Social Responsibility statement.

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

Compliance with the Combined Code

Save for the composition of its committees, where the Code requires a greater proportion of members to be non-executive directors judged to be independent, or as otherwise described in this report, the Board considers that the Company has complied with the provisions of Section 1 of the Combined Code 2006.

Audit Committee Report

This report meets the requirements of the Combined Code 2006 issued by the UK Financial Services Authority.

Role and responsibilities

The main role and responsibilities of the Committee are set out in written terms of reference. These responsibilities include:

- Monitoring the integrity of the half year and annual financial statements, by considering reports from the Finance Director and the external auditors setting out the basis of preparation of the results and the principal reporting judgements therein;
- Reviewing the critical accounting policies and compliance with applicable accounting standards, by considering reports from the Finance Director and external auditors;
- Reviewing the Company's internal financial controls and internal control and risk management systems, by considering reports from both the internal and external auditors during the year and reports on the effectiveness of internal controls and risk management systems from the Finance Director and Director of Risk;
- Monitoring the scope and effectiveness of the internal auditor, by considering work plans, reports throughout the year and attendance at Audit Committee meetings;
- Overseeing the process for the appointment, terms of engagement, compensation and independence of the external auditors by considering proposals from the Finance Director on each of these;
- Monitoring the effectiveness of the external auditors, by considering the quality of people and service, the robustness of the audit and the quality of delivery;
- Reviewing the Company's policy for the engagement of the external auditors to supply non-audit services; and
- Monitoring the Company's whistle blowing procedures, by considering reports from management of the incidents recorded and the action taken to investigate and resolve them.

A copy of the terms of reference of the Committee is available on the Business Post website www.businesspost.biz/investor_terms.html

Committee membership

The members of the Audit Committee ("the Committee") during the year were: Dennis Clark (Chairman) until 30 July 2008, Trevor Jenkins (Chairman) from 1 September 2008, Philip Stephens and Peter Kane.

The Committee meetings are typically attended by the Chief Executive, the Finance Director, Group Financial Controller, Head of Internal Audit and senior representatives of the external auditors. At least once a year the Committee meet separately with the external auditors without management present, and also with the Head of Internal Audit.

The constitution and operation of the Committee during the year has complied with the Combined Code except that the Company's non-executive Chairman is not considered to be independent. His experience within both the Company and the industry for over 30 years is, however, considered to be invaluable to the Committee, particularly during the transition of Committee Chairman. The Board has agreed that, with effect from April 2009, Peter Kane will no longer be a member of the Committee.

The Committee was chaired during the year by Dennis Clark and then Trevor Jenkins, both of whom are qualified accountants, and are considered to have recent and relevant financial experience.



Audit Committee Report

Committee activities

The Committee met three times during the year, and reports of these meetings were provided to the subsequent Board meetings.

The principal activities of these meetings included:

- Review and approval of the internal audit plan and monitoring its execution;
- Review and discussion of regular reports from internal audit covering the findings from internal audit reviews and the actions agreed with management;
- Review and discussion of interim and full year reports from external audit covering the findings from their review of internal control systems and financial statements;
- Review of reports from the Finance Director concerning the effectiveness of the systems of internal control and action plans to further improve the control environment;
- Review and approval of financial statements, results announcements and related formal statements;
- Review of critical accounting policies and practices, and significant accounting reporting issues and judgements made in connection with the interim and year-end financial statements;
- Review of risk management activities, including consideration of any material litigation;
- Review of whistle blowing procedures and reported incidents;
- Review of external auditors independence, their scope and effectiveness; and
- Meeting with internal audit and external audit without management present.

External audit independence

The Committee has satisfied itself with the independence of the external auditors from management. The external auditor's fees for audit services have been reviewed and approved by the Committee.

The Committee has reviewed and agreed the non-audit services provided by the external auditors, together with the associated fees.

Trevor Jenkins

Audit Committee Chairman

20 May 2009



Corporate Social Responsibility

Corporate social responsibility

We are committed to Corporate and Social Responsibility ("CSR") and regard the integration of sound CSR practices (which take into account the interests of all our stakeholders be they employees, customers, shareholders or the wider community) as a long-term, sustainable approach to business and we continue to devote significant resources towards improving CSR standards and practices within the Group.

Steven Glew is the Board member responsible for CSR with our CSR strategy being approved at Board level. He, together with the CSR Steering Committee actively manage, develop and communicate our CSR strategy, with this strategy providing direction and guidance on all aspects of business practice and responsibility. The members of the CSR Steering Committee are drawn from a number of disciplines across the Company (human resources, health and safety, operations, transport, procurement, communications and legal).

To further develop and give direction to our CSR strategy, as well as to show our continuing commitment to CSR, we became a signatory to the United Nations Global Compact in 2008. As such we have committed to taking action and upholding each of the principles it describes in relation to business integrity, employment, human rights and the environment.

Environmental

The Group recognises that it has a responsibility to reduce its impact on the environment and seeks to increase the environmental sustainability of its operations and those of its customers. Whilst we recognise that we have an important role to play in delivering goods and mail in the UK, we are acutely aware of the impact that transport operations have on the environment and the Group is committed to reducing this impact by the introduction of cost effective solutions and changes which result in real benefits to the environment as a whole.

Our key long term initiatives are to reduce our CO₂ emissions by reducing our energy and fuel consumption and to reduce the waste we send for disposal. Whilst we are in the early stages of developing a fully comprehensive environmental strategy, we have made some notable advances in the above initiatives during the last year.

We have now established mechanisms to identify and report on a monthly basis the CO₂ emissions that our business creates. We have also set targets to reduce these outputs and put in place specific initiatives, with specific goals, to achieve these reductions. These initiatives relate principally to fuel and energy usage in our business.

Fuel usage

With respect to fuel usage we have three key objectives:

Objective 1: to reduce the distance travelled by our vehicle fleet through effective route planning and optimisation of vehicle fill.

The use of route planning software enables the Company to reduce fuel usage by optimising journey miles. Changes to routes and optimisation of vehicle fill introduced in the year have resulted in a reduction in CO₂ emissions of 134 tonnes for the year. We are trialling ways in which to more effectively use the space within our trucks to see whether there may be a reduction in the number of vehicles used.

Objective 2: to reduce the fuel consumption of our vehicles through a review of the design of vehicles used and other effective means.

All our double decker trailers have sloping fronts, designed in conjunction with the Group's trailer supplier, Don-Bur Bodies and Trailers, which dramatically reduces the fuel consumption of the towing vehicle, thus reducing CO₂ emissions by up to 25

tonnes per vehicle per year. The design is easily applied to existing fleet trailers as nearly all components from the original design are re-used. With 69 of these trailers currently in the fleet, the saving in fuel and CO₂ is significant. Based on current route mileages the reduction in CO₂ emissions is around 1,699 tonnes per annum. The work on this design has already resulted in two awards, from Green Fleet and EAST. We are soon to trial a new aerodynamic trailer design which, if successful, will further reduce the CO₂ emissions from our vehicles.

All powered vehicles have bespoke aerodynamic air kits, designed by Eco-Tek, which have resulted in mpg improvements of between 5%-10%. These vehicles are on a six year replacement cycle with manufacturers that boast a 95% recyclable component. They are also maintained by manufacturer main dealers to ensure only quality components and oils are used for peak performance. Vehicles and trailers are specified to run on road-friendly air suspension, reducing wear of components, damage to the road network and noise pollution. All trailers incorporate LED lighting as opposed to bulbs which removes a waste disposal problem. Wherever possible, vehicle and trailer bodies in build are paint free using self coloured panels and natural aluminium framework. All heavy goods vehicles are now specified with automated transmissions, which optimise fuel economy and also reduces driver fatigue.

Tyres are also audited on a regular basis to ensure repair agents maintain tyre pressures, which if not correct, can have a detrimental effect on the life of the tyre but also the vehicle's fuel consumption, which in turn has an effect on the CO₂ emissions of that vehicle. We will also be conducting a trial using "energy" tyres which provide approximately 6% less rolling resistance and should lead in a reduction in the vehicle's fuel consumption.

During the year, we have continued to monitor the mpg per vehicle and will continue to do so in the current year. It is hoped that the full effect of the above initiatives will be recorded in such monitoring and that a clear and effective strategy which manages fuel consumption can consequently be formulated.

We have continued to replace diesel run counterbalance forklift trucks with electric forklift trucks and there have also been improvements to the company car fleet following the move to a new fleet management company. All new company cars have CO₂ emissions below 160g/km and drivers are encouraged to make fewer business journeys by replacing them with conference calls and video conferencing.

Objective 3: to continue using bio-diesel and to investigate alternatives.

All our vehicles utilise bio-diesel which reduces the CO₂ emissions from our vehicles by 3% and we aim to continue the use of bio-diesel at current levels. We continue to investigate (such investigations taking account of the overall environmental impact of the use of such products) other opportunities to reduce the carbon emission from the fuel we use, such as alternative fuel and fuel optimisation products (eg. the use of additives in fuel).

Energy usage and waste disposal

With respect to energy usage, we have been working with the Carbon Trust to identify actions that we can take. For example, we have deployed motion sensors to control lighting, installed simple time controls on office equipment, replaced wasteful traditional lighting with LED and low energy alternatives.

We have also been working hard to increase the level of our recycling and in December 2008 appointed a new waste management company. The increased focus on recycling has led to a 55% increase in the amount of waste which we now recycle and we have a target to achieve 80% by the end of the year.



Corporate Social Responsibility

We have also during the past year, launched an internal campaign to raise awareness amongst our employees of the environmental impact of their actions. This has seen employees now consciously switching off lights, powering off machines and using on-site recycling facilities. Management at local sites have also been empowered to introduce practices which will encourage a reduction in on-site energy usage and waste, and an increase in recycling. This activity has been encouraged by the introduction of an intra-site "eco-challenge 2009" competition which rewards the site showing the greatest reduction in energy consumption and increased use of recycling facilities.

We have a plan in place to achieve ISO 14001 accreditation for all of our sites. We have engaged specialist external advisors to guide us through this process. Our aim is that five key sites will have achieved accreditation in 2009 with all sites achieving accreditation the following year.

We have adopted a strict code of conduct with our suppliers which defines our minimum standards of business activity and shapes the way we work with our suppliers for mutual gain.

Product innovation

We are also driving product innovations which reduce the environmental impact of our operation. In October 2008, we launched "imail". imail is a next day or two day mail delivery service which allows customers of any size to electronically transmit mail items to our national network of sort centres. The mail item is printed and enveloped in the sort centre closest to the delivery address and then transferred to Royal Mail for final delivery. This product offering reduces the carbon footprint of a letter by some 80% by reducing the transport requirements that have previously been a necessary part of operating a national delivery solution.

Health and safety

The Group fully embraces and endorses the legal and moral obligation to protect the health, safety and welfare of employees and others who may be affected by our operations. Robust policies have been developed and deployed to ensure training, risk assessment, safe systems of work and accident investigation procedures are carried out throughout the network. Policies are also updated on an ongoing basis to ensure they reflect the changing environment in which we operate, an example of this being the Company Driving Policy and a requirement that driving risk assessments are completed on an annual basis. Health and Safety is discussed at Group Board meetings utilising the monthly Health and Safety report, which outlines proactive and reactive measures for discussion and debate. A full Health, Safety and Environment audit is carried out each year at all operating locations. A Health and Safety intranet site contains readily available information for managers on specific procedures and policies such as emergency response, safe systems, risk assessments, accident investigations, limited quantities of dangerous goods allowed and communications to promote health and safety and to prevent accidents from occurring in the work place.

Employment

The Group was successful in achieving Investors In People reaccreditation and has continued to make significant progress in Human Resource management over the last year in its aim to become an 'Employer of Choice'. The Employee Consultative Group has been strengthened to provide a robust platform for all employees to make a significant contribution to bringing about change in the workplace and to provide a forum for the exchange of information, opinions and feedback. Our reward schemes have also been reviewed resulting in improved incentives and competitive benefits and the introduction of a performance based bonus scheme. A number of voluntary benefits

have also been introduced resulting in a wider choice for employees. Employee turnover has continued to fall, having now reduced every year for the last 5 years. The Group continues to coach and train managers in a wide variety of skill areas including, performance management, communication skills, leadership, employment law and supervisory skills and has continued to provide operational training courses for front line staff such as manual handling, customer care, health and safety and IT skills. The "Best Welcome" induction programme has also continued to be rolled out to new employees, providing an overview of the business, key operational matters and those matters which we value most (such as honesty, responsibility and a can-do attitude).

The Group continues to offer Childcare Voucher Schemes and will shortly be introducing the 'Ride a Bike to Work Scheme'. NVQ Training has also been implemented resulting in a number of employees gaining a nationally recognised qualification. To support our staff welfare programme, the Group provides, through a third party, a 24 hour confidential help line that provides counselling and advice on a wide range of subjects. Further welfare initiatives have been put in place with the introduction of an Attendance Management Policy. The Group continues to ensure all the requirements of current and future employment and health and safety legislation are met and managers are kept up to date with changes in legislation through quarterly seminars.

Business Post in the community

We firmly believe in community investment and encourage "community mindedness" across the Company.

We recently signed a national agreement with Job Centre Plus pursuant to which we have committed to work with them to help potential recruits move from welfare to sustained employment. We believe this will help the local communities in which we operate.

Charitable support

Cancer Research UK is the chosen charity partner for Business Post Group, its employees and its franchisees. The Group donates 1p to Cancer Research UK for every parcel consignment carried for customers who pay their accounts by direct debit and, in the last year, this raised £80,245.

Business Post staff across the whole company also rose to the challenge during the last year and raised over £11,291 for Cancer Research UK with a wide variety of events, including sponsored walks, raffles, charity auctions, cycle rides and parachuting.

The Group also operates a 'payroll giving scheme' allowing all employees the opportunity to contribute to their preferred charity through tax efficient salary deductions.

CSR achievements in the past year

- Introduction of the transportation initiatives referred to above and improved network planning has led to a reduction of 756,069 km driven, equating to a CO₂ saving of 134 tonnes
- Introduction of imail
- An increase in recycling by 55% and use of paper which is 80% recycled
- Introduction of a Supplier Code of Conduct
- Achieved Investors In People re-accreditation
- Eighty night workers obtained NVQ's
- £91,536 raised for Cancer Research UK

Remuneration Report

This part of the Remuneration Report is unaudited

The members of the Remuneration Committee (the "Committee") during the year were: Philip Stephens (Chairman), Dennis Clark, Trevor Jenkins and Peter Kane. During the year and at the request of the Committee, the Group's Chief Executive, Guy Buswell, and Deputy Chairman, Bill Cockburn, gave advice and assistance to the Committee.

In addition, the Committee sought advice, principally in relation to the design of the new Long Term Incentive Plan, from external remuneration consultants, Hewitt New Bridge Street.

The constitution and operation of the Committee during the year has complied with the Combined Code's guidance on Directors remuneration except that the Company's non-executive Chairman is not considered to be independent. His experience within both the Company and the industry for over 30 years is, however, considered to be invaluable to the Committee. It has been agreed that Peter Kane will no longer be a member of the Committee from April 2009.

Remuneration policy

The remuneration policy of the Group, in particular the policy for setting remuneration for executive directors and other senior executives, is determined by the Committee of the Board. The terms of reference of the Committee are available on the Group's website.

The remuneration policy for non-executive directors including the Chairman is determined by the Board.

The Committee's remuneration policy is to provide competitive remuneration arrangements for executive directors and senior executives which are commensurate with those of other companies of a similar nature, size and standing and which reflect the Group's business and financial objectives and which are consistent with the goals of Corporate Governance. Remuneration arrangements are addressed within the context of the Group's current performance, its progress towards strategic objectives and individual executives' personal performance.

Elements of the remuneration package of executive directors

Remuneration of executive directors comprises the following elements:

Base salaries

Base salaries are reviewed annually. In considering appropriate salary levels the Committee takes into account the remuneration paid by comparable companies in terms of market capitalisation, revenues and profits. The Company's practice is to target basic salaries by reference to the mid-market level in the appropriate market for the executive position. In determining executive salaries consideration is also given to their experience and general performance level.

In April 2009 a 2% inflation increase was awarded to executive directors and senior executives, in line with the general increase given to our employees.

Annual bonuses

The Group operates an annual cash bonus scheme for executive directors. The level of bonus payment is dependent upon the Group's performance evaluated against Group budgeted pre-tax profit set out at the beginning of the year. The maximum payment potential for the forthcoming financial year will remain unchanged at 100% of annual salary. Potential bonus payments for achieving 'on target' performance have been reduced in the forthcoming financial year, in line with reductions in bonus target payouts for all our employees.

Benefits

Health and sickness insurance schemes are provided for executive directors and include private health cover, permanent health insurance and death in service benefits. Executive directors receive either a car, or an annual car allowance and contributions of between 12.5% and 15% of each individual director's base salary into a defined contribution pension scheme.

Share-based incentive schemes

On an on-going basis, the Group currently utilises a Long Term Incentive Plan and a Share Matching Plan to provide longer term share-based incentives for executive directors. The schemes are designed to motivate and reward achievement of a combination of challenging corporate financial targets and enhancement of shareholder value. Specific details of the schemes are outlined on the following page. In addition, one-off awards were granted in 2006 (following shareholder approval at the AGM) to the Chief Executive and Finance Director - full details of these awards are outlined later in this report.



Remuneration Report

This part of the Remuneration Report is unaudited

Long term incentive plan

The Group's existing Long Term Incentive Plan is a key link between executives' remuneration and the long-term success and performance of the Group. No awards were granted under the existing plan in 2008. As this plan expires in July 2009, shareholders will be asked to approve a replacement plan at the forthcoming Annual General Meeting in July 2009.

The new plan will contain the same award limits as the existing plan, namely a maximum potential annual award of shares to an executive of 100% of salary including anticipated dividend equivalents (with the additional flexibility to grant awards worth up to 150% of salary in exceptional circumstances, such as on recruitment or in acute retention scenarios). The new plan will be based (as was the existing plan) on a mixture of Earnings per Share ("EPS") and Total Shareholder Return ("TSR") performance measures. For the initial awards to be granted in the forthcoming financial year:

- 50% of the awards will be determined by EPS growth over a three year performance period. 25% will vest for growth of 5% p.a. over the three year period (2009-2012), with full vesting for growth of 9% p.a. over the three year period. These targets are regarded by the Committee as highly challenging in the current economic environment. Assuming an improved economic outlook, the Committee would expect to set higher targets for EPS growth for future awards.
- 50% of the awards will be determined by TSR performance relative to FTSE All-Share companies (excluding Investment Trusts), with 25% of awards vesting for median performance over the three-year performance period rising to 100% of awards vesting for upper quartile performance.

The value of dividends payable over the vesting period will be rolled-up and paid out to award holders to the extent that awards vest.

The Committee believes that this balance of performance conditions successfully aligns the interests of directors with shareholders whilst also rewarding the achievement of challenging growth targets relating to the underlying financial performance of the Company.

Share matching plan

Selected executives may be invited to invest a portion of their cash bonus in the acquisition of Company shares worth up to 25% of their pre-tax salary. Where such an investment is made, the executives will receive, under the Share Matching Plan, a matching award of shares of equivalent value.

One-third of the award will vest if EPS growth is at least RPI+ 4% p.a. over a single three-year performance period, increasing to full vesting for EPS growth of at least RPI+ 6% p.a.

Other schemes

The Company can make grants of share options under an existing Executive Share Option Scheme although executive directors have not received option grants since 2003 and it is currently intended that they would only receive future option grants in exceptional circumstances. Executive directors are eligible to participate in the Group's Sharesave scheme on the same terms as other employees.

Shareholding guidelines

On the exercise of awards under any of the Company's long-term incentive schemes, executive directors are expected to retain at least half of the after-tax profit in the form of shares until they have a shareholding at least equal to their base salaries.

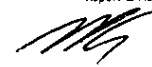
Composition of remuneration package

The targeted composition of each executive director's remuneration between fixed and variable remuneration is approximately 50% derived from salary and benefits and 50% from variable incentives.

The remuneration of each non-executive director is 100% non-performance related.

External appointments

The Committee believes that where board members hold directorships in other companies the Company can benefit from their experience. As a result, and subject to the Board's prior approval, executive directors may take on no more than one external directorship and retain any fees earned. No executive director currently has any such appointments.



Remuneration Report

This part of the Remuneration Report is unaudited

Directors' service contracts

It is the Company's policy that, whilst there should not be a fixed duration in respect of directors' service contracts, each contract contains notice periods of not more than one year and contains a clause whereby the contractual termination payments do not exceed the director's remuneration for the previous calendar year.

<i>Executive Director</i>	<i>Contract date</i>	<i>Unexpired term from 31 March 2009</i>	<i>Contractual termination payment*</i>
Guy Buswell	31.03.06	12 months	12 months remuneration
Steven Glew	05.06.06	12 months	12 months remuneration
Alec Ross	24.10.07	6 months	6 months remuneration

* In the event of termination following a change of control, executive directors are entitled to termination payments of 12 months remuneration.

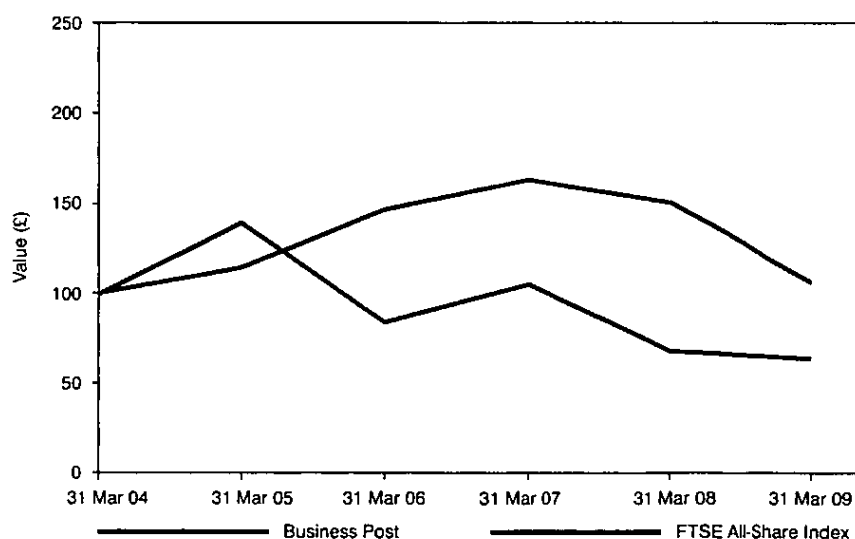
Non-Executive directors

Non-executive directors are initially appointed for a three year term. All directors are required by the Company's Articles of Association to submit themselves for re-election at least every three years or in the case of a director appointed by the directors in the past year, such director is required to submit themselves for re-election at the next Annual General Meeting).

<i>Non-Executive Director</i>	<i>Contract date</i>	<i>Unexpired term from 31 March 2009</i>
Bill Cockburn	31.03.07	12 months
Trevor Jenkins	01.09.08	29 months
Michael Kane	01.10.01	indefinite
Peter Kane	01.10.01	indefinite
Philip Stephens	01.04.09	3 months

Performance graph

The graph shown below compares the total shareholder return for an investment in the shares of Business Post with the return for the same investment in the FTSE All-Share index (excluding Investment Trusts) over a five year period commencing on 31 March 2004. In the opinion of the Committee, the FTSE All-Share index, excluding Investment Trusts, is currently the most appropriate index against which the total shareholder return of Business Post should be measured and is also the comparator group used in the new Long Term Incentive Plan.



The above graph illustrates the value at 31 March 2009 of £100 invested in Business Post on 31 March 2004 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at the intervening financial year-ends.

Remuneration Report

This part of the Remuneration Report is audited

Directors' emoluments

Emoluments received by each director during the year were as follows:

	Salary & Fees £000	Benefits £000	Bonus £000	2009 Total £000	2008 Total £000	Pension Cont's 2009	Pension Cont's 2008
Guy Buswell	318	13	159	490	339	48	46
Dennis Clark (1)	10	-	-	10	30	-	-
Bill Cockburn (2)	44	-	400	444	58	-	-
Steven Glew	226	16	113	355	245	35	27
Trevor Jenkins (3)	18	-	-	18	-	-	-
Michael Kane (4)	25	2	-	27	28	-	-
Peter Kane	68	1	-	69	69	-	-
Alec Ross	185	12	92	289	201	23	23
Phillip Stephens	30	-	-	30	30	-	-
	924	44	764	1,732	1,000	106	96

Benefits comprise company car benefits, health insurance and death in service benefits.

1. Dennis Clark retired from the Board on 31 July 2008.

2. Included in Bill Cockburn's remuneration are fees of £44,000 as a non-executive director and payments of £220 in respect of consultancy provided to the Group. The Company had until March 2008, a separate long term incentive agreement with Bill Cockburn in relation to his consultancy services. Under this, Mr Cockburn was entitled to receive bonuses if the profit of UK Mail exceeded specified targets within a four year period of the commencement of trading. Following publication of the results for the year ended 31 March 2008, Mr Cockburn was entitled to the maximum 100% payout of £400,000, which was paid this financial year.

3. Trevor Jenkins was appointed to the Board on 1 September 2008.

4. Michael Kane's remuneration was paid to his company, Beaufield Entertainment Ltd, for the period to October 2008, and Beaufield Management Limited thereafter, for the provision of his services as a director.

Directors' Executive Share Options

Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price	Number at 1 April 2008	Exercised in year	Lapsed in year	Number at 31 March 2009
Alec Ross							
31.05.02	31.05.05	31.05.12	418p	24,521	—	—	24,521

No options were exercised during the year.

No other directors have been granted share options in the shares of the Company or other Group entities. None of the terms and conditions of the share options were varied during the year.

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

Remuneration Report

This part of the Remuneration Report is audited

Sharesave Scheme

Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price	Number at 1 April 2008	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2009
Guy Buswell								
18.07.08	01.09.11	01.03.12	249p	-	3,775	-	3,775	-
Steven Glew								
23.08.06	01.09.09	01.03.10	360p	2,597	-	-	-	2,597
Alec Ross								
27.06.05	01.08.08	01.02.09	496p	1,910	-	-	1,910	-

The Sharesave Scheme provides a savings plan to purchase shares and has no performance criteria in order to participate.

The market price of the Company's shares at the end of the financial year was 250p and the range of prices during the year was between 210p and 338p.

Interests in shares

The interests of the directors in the ordinary shares of the Company were as follows:

	31 March 2009	1 April 2008
	Ordinary Shares	Ordinary Shares
	of 10p	of 10p
Guy Buswell	112,592	83,196
Bill Cockburn	17,004	17,004
Steven Glew	41,514	32,929
Trevor Jenkins (appointed 1 Sept 2008)	-	-
Michael Kane	7,010,019	7,010,019
Peter Kane	6,672,967	6,672,967
Alec Ross	30,061	27,111
Philip Stephens	15,000	15,000

All directors' interests are beneficially held save for 3,333,334 ordinary shares which are held by beneficiaries who are persons connected with Peter Kane. There has been no change in the interests set out above between 31 March and 20 May 2009.

Remuneration Report

This part of the Remuneration Report is audited

Long term incentive plan

Directors' interests in shares held in the Long Term Incentive Plan are as follows:

Date of Award	Award Price	Performance Period Ending	Number at 1 April 2008	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2009
Guy Buswell							
24.05.05	575p	31.03.08	16,847	-	-	16,847	-
17.07.06	437p	31.03.09	62,929	-	-	-	62,929
04.06.07	463p	31.03.10	66,955	-	-	-	66,955
			146,731	-	-	16,847	129,884
Steven Glew							
17.07.06	437p	31.03.09	44,622	-	-	-	44,622
04.06.07	463p	31.03.10	47,516	-	-	-	47,516
			92,138	-	-	-	92,138
Alec Ross							
24.05.05	575p	31.03.08	11,130	-	-	11,130	-
17.07.06	437p	31.03.09	48,913	-	-	-	48,913
04.06.07	463p	31.03.10	38,877	-	-	-	38,877
			98,920	-	-	11,130	87,790

Awards granted may be exercised between three and ten years following the date of grant.

Vesting of awards granted in 2005 is determined primarily by reference over a period of three financial years to the Company's Total Shareholder Return ("TSR") measured against the TSR of all the other companies in the FTSE All-Share Support Services sector. 10% of shares may be exercised if the Company achieves median ranking, rising pro-rata to 100% if the Company's ranking falls within the top 10%. The exercise of awards is also subject to the condition that the growth in the Company's earnings per share shall exceed the increase in the index of retail prices from the date of grant by more than 3% p.a.

No shares vested under the 2005 award, following failure of the EPS condition for the year ended 31 March 2008.

Awards granted in 2006 and 2007 are subject to two distinct performance conditions. 40% of the awards will be determined by EPS growth over a performance period of three financial years. 25% will vest for growth of 15% p.a. with full vesting for growth of 20% p.a., and pro-rata in between. The other 60% of the awards will be determined by TSR performance relative to FTSE All-Share companies (excluding Investment Trusts) with 25% of awards vesting for median performance over the performance period of three financial years rising to 100% of awards vesting for upper quartile performance.

Subsequent to the year end the performance conditions for the awards granted in 2006 have been determined. The EPS condition has been met in full and the TSR condition vested at 54.34%, resulting in an overall vesting of 94.34%. The awards will vest on 17 July 2009.

The Company's Employee Share Ownership Trust holds shares in the Company for subsequent transfer to employees under the Long Term Incentive Plan. Shares held by the Trust are not voted at shareholder meetings and do not accrue dividends. At 31 March 2009, the Trust held a total of 624,817 shares in respect of its future obligations under the Company's Long Term Incentive Plan.

Remuneration Report

This part of the Remuneration Report is audited

Share matching plan

Details of shares purchased and matching grants awarded during the year are as follows:

Date of Grant	Earliest Exercise Date	Number at 1 April 2008	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2009
Guy Buswell						
15.11.06	15.11.09	2,000	-	-	-	2,000
04.06.07	04.06.10	34,325	-	-	-	34,325
03.06.08	03.06.11	-	5,082	-	-	5,082
		36,325	5,082	-	-	41,407
Steven Glew						
04.06.07	04.06.10	7,929	-	-	-	7,929
03.06.08	03.06.11	-	3,585	-	-	3,585
		7,929	3,585	-	-	11,514
Alec Ross						
04.06.07	04.06.10	5,663	-	-	-	5,663
03.06.08	03.06.11	-	2,950	-	-	2,950
		5,663	2,950	-	-	8,613

One-third of these award will vest if EPS growth is at least RPI + 4% p.a. over a single three-year performance period, increasing pro rata to full vesting for EPS growth of at least RPI + 6% p.a.

Awards may be exercised between 36 months and 42 months following the date of grant.

One-Off Long Term Incentive Award

Directors' interests in shares held in the One-Off Long Term Incentive Award are as follows:

Date of Award	Award Price	Performance Period Ending	Number at 1 April 2008	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2009
Guy Buswell							
17.07.06	450p	31.03.09	170,000	-	-	-	170,000
Steven Glew							
17.07.06	450p	31.03.09	50,000	-	-	-	50,000

The extent to which these one-off awards (approved by shareholders at the 2006 AGM) vest will be determined by the Company's EPS in 2009 relative to the adjusted budgeted EPS for 2007. The awards will only begin to vest for growth of 15% p.a. between these two figures with 100% vesting for growth of 20% p.a. Although the performance period for these awards is three years from grant, the targets are expressed as growth from the budget figure for 2007 in order to ensure that the targets are more challenging than those under the LTIP. As a result, the EPS value required in 2009 for these one-off awards to begin to vest is higher than the EPS value required in that year for the maximum LTIP award to vest.

Subsequent to the year end the performance condition for the one-off awards has been determined and will result in a vesting level of 99.9%. The awards will vest on 17 July 2009.

Philip Stephens

On behalf of the Board

20 May 2009

Directors' Report

The directors present their Annual Report and the audited consolidated accounts of Business Post Group Plc for the year ended 31 March 2009.

Principal activity and business review

Business Post Group Plc is a public limited company incorporated and domiciled in England and the holding company of UK Mail Limited, Business Post Limited and UK Pallets Limited. It is quoted on the London Stock Exchange (LSE: BPG). The Group's principal activity is the provision of express collection and delivery services for parcels, mail and palletised goods. The information that fulfils the requirements of the Business Review can be found in the Chairman's Statement, Business Review (including Financial Overview), and Corporate Social Responsibility statements, which are incorporated in this report by reference.

Results and dividend

The profit for the financial year of £9.3 million is reported in the Consolidated Income Statement. A final dividend of 10.8p per share in respect of the year ended 31 March 2008 was paid on 25 July 2008. An unchanged interim dividend of 6.4p per share in respect of the year ended 31 March 2009 was paid on 16 January 2009 and the directors recommend a final dividend of 10.8p per share, payable on 14 August 2009 to shareholders on the register on 24 July 2009.

Corporate governance

A statement on corporate governance and the Group's compliance with the Combined Code is set out in the Corporate Governance statement.

Donations

During the year, the Group made charitable donations of £91,536 to Cancer Research UK (2008: £62,730), for general charitable purposes. The Group made no political donations.

Directors

Brief particulars of the directors in office as at the date of this Report are shown in the Directors and Advisers section of this Annual Report.

Dennis Clark retired from the Board on 31 July 2008. Trevor Jenkins was appointed as a non-executive director on 1 September 2008 and will stand for re-election at the Annual General Meeting. Guy Buswell and Peter Kane will, in accordance with the Articles of Association, retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. The Board strongly supports the re-election of Guy Buswell and Peter Kane and the re-election of Trevor Jenkins and recommends that shareholders vote in favour of such elections. Guy Buswell continues to be effective as Chief Executive and demonstrates commitment to his role. Peter Kane (together with his brother Michael Kane) founded the company in 1974. His detailed understanding of the business provides valuable insight during Board discussions and enables a detailed assessment of the Company's performance. Trevor Jenkins brings substantial experience to the Board and is currently Chief Financial Officer of Reed Business, a division of Reed Elsevier Group Plc and has previously held senior financial roles at Pearson Plc and Mars Inc.

The Board has undertaken an evaluation of the Chairman who is submitting himself for re-election and confirms that his performance continues to be effective and that

he commits sufficient time to the fulfilment of his duties as director and committee member, as appropriate.

Directors' indemnities

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

Employment policy

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

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

Further information concerning the Group's human resource management activities is set out in the Corporate Social Responsibility statement.

Environmental responsibility and health and safety

A statement on the steps taken to operate the business in pursuit of good environmental and health standards is set out in the Corporate Social Responsibility statement.

Directors' interests

The interests of the directors and their families as appearing in the register maintained under the provisions of the FSA's Disclosure and Transparency Rules in the share capital of the Company on 31 March 2009 are set out in the Remuneration Report.

Share capital

Details of the movement in authorised and issued share capital of the Company during the financial year to 31 March 2009 can be found at note 23 to the financial statements on page 59.

Substantial shareholders

In addition to the interests of Peter Kane (12.2%) and Michael Kane (12.8%), as at 20 May 2009 the Company had been notified of the following notifiable interests in its issued share capital:

	No. of shares	As a percentage of the issued share capital
Mr John Kane	15,014,167	(27.46%)
M & G Investment Management	5,149,579	(9.42%)
Schroder Investment Management	3,502,913	(6.41%)
Ms Joanna Bailey	3,333,333	(6.10%)
Fidelity Investments	2,175,265	(3.98%)
Liontrust Asset Management	1,702,889	(3.11%)

Mr John Kane and Ms Joanna Bailey are the adult children of Peter Kane.

Directors' Report

Takeover directive

The Company has considered the disclosure requirements under the Takeover Directive and believes relevant details can be found as follows:

- The structure of the Company's capital (see note 23).
- In respect of persons with significant direct or indirect holdings of securities in the Company, the identity of the person and the nature of the rights (see the Remuneration and Directors' reports).
- Details of any rules that the Company has about appointment and replacement of directors and details of any rules about the amendment of the Company's Articles of Association (see Corporate Governance section, Directors' Report and the Articles of Association, which is made available for inspection as set out in the Notice).
- Details of the powers of the Company's directors, including, in particular, any powers in relation to the issuing or buying back by the Company of its shares (see Directors' Report and Articles of Association, which is made available for inspection as set out in the Notice).
- Details of any agreements between the Company and its directors or employees providing for compensation for loss of office or employment (through resignation, purported redundancy or otherwise) that occurs because of a takeover bid (see Remuneration Report).

Supplier payment policy

The Group's policy concerning the payment of its trade payables is to follow the Better Payment Practice Code which can be found at <http://www.payontime.co.uk>. The Group endeavours to agree standard terms of payment with its major suppliers at the commencement of business. Suppliers fulfilling the conditions of supply are paid in accordance with the agreed standard terms. Other suppliers are paid in accordance with contractual terms as agreed from time to time. As at 31 March 2009, the Group had an average of 34.8 days (2008: 39.2 days) purchases outstanding in trade creditors.

Properties

The directors are of the opinion that the current market value of the Group's properties is not significantly different from the amount at which they are included in the balance sheet.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 4 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the business review. The business review and note 35 to the financial statements include a description of the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources available and a strong balance sheet, as explained in the business review on page 12. Cash flow plans are prepared as part of the Group's annual budget and three year plan. These plans are sensitised to provide an understanding of the impact of risks. The plans are subject to a review by Internal Audit who provide a report to the Board. The Board has reviewed and approved these plans. As a result, the directors believe that the Group is well placed to manage its business risks successfully despite the challenging market conditions.

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and consequently a going concern basis continues to be appropriate in preparing the accounts.

Auditors and disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual general meeting - special business

The notice of the Annual General Meeting to be held on 15 July 2009 may be found at the back of the Report and Accounts. In addition to the routine business of the meeting, the special business set out below will be transacted.

Resolution 8 – Long Term Incentive Plan

The Business Post Group Plc Long Term Incentive Plan 2009 (the "LTIP 2009") is a new senior management share-based incentive arrangement which replaces the current Long Term Incentive Plan, the ten-year life of which expires in 2009. A summary of the principal terms of the LTIP 2009 can be found at Appendix 1 to the Notice of Meeting.

The remuneration committee of the board of directors (the "Committee") has considered carefully the structure of the LTIP 2009 and has concluded that the new LTIP 2009 should retain broadly the same parameters as the plan which it replaces. In particular:

- the individual limit on the value of shares comprising an award to any individual will be 100% of base salary in normal circumstances in any year; and
- shares will only be released to participants if challenging performance criteria are met over a three year period.

For the initial awards there will be a mix of performance criteria. One half of an award will be based on the growth in the Company's earnings per share. The remaining half will be based on the Company's relative total shareholder return against the other constituents of the FTSE All Share Index. Total shareholder return is a measure of a company's share price and dividend payments.

One additional feature in the LTIP 2009 will be a provision whereby the value of dividends payable on the shares subject to awards will be rolled up and paid out to awardholders to the extent that shares vest. This feature will further improve the alignment of interests between awardholders and shareholders.

Overall, the Committee is satisfied that the LTIP 2009 will provide a strong incentive and reward structure for the creation of long term value.



Directors' Report

Resolutions 9 to 11 - Allotments and Market Purchases of Shares

Resolution 9 to be proposed at the forthcoming Annual General Meeting will, if approved by shareholders, authorise the directors to allot up to 15,325,763 ordinary shares, representing 28.03% of the ordinary shares currently in issue of which 1,477,750 (2.7%) of the ordinary shares currently in issue are currently reserved for issue under the Company's share option schemes. The balance available for allotment is therefore 13,848,013 ordinary shares, representing 25.3% of the ordinary shares currently in issue. The Company does not currently have any treasury shares in issue. The directors have no present intention of exercising the authority except in connection with the issue of shares under the Company's share option schemes. This resolution will be proposed as an ordinary resolution and will expire at the Annual General Meeting to be held in 2010.

In addition, Resolution 10 to be proposed at the forthcoming Annual General Meeting will give the directors authority under Section 95 of the Companies Act 1985 to allot equity securities for cash to (i) existing shareholders in proportion to their holdings and (ii) otherwise than pursuant to (i) but up to an aggregate nominal amount equal to £273,371 (representing 5% of the issued ordinary share capital). This authority will also expire on the earlier of the conclusion of the Annual General Meeting to be held in 2010 or 9 October 2010. This resolution will be proposed as a special resolution. The Company undertakes that it will not issue shares on a non pre-emptive basis exceeding 7.5% of its issued share capital over a three year period.

The Companies Act 1985 allows shares purchased by the Company to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the Company's obligations under its share option schemes. The requirements to allot equity securities for cash to existing shareholders in proportion to their holdings will also apply to the sales by the Company of any shares it holds as treasury shares. These requirements may be similarly disapplied by shareholders. The authority sought, and limits set, by Resolution 10 will then apply also to a sale of treasury shares. However, the directors have no present intention of holding shares in treasury pursuant to the Companies Act 1985.

Resolution 11 to be proposed at the forthcoming Annual General Meeting will give the Company authority under Article 9 of its Articles of Association and Section 166 of the Companies Act 1985, until the conclusion of the 2010 Annual General Meeting, to make market purchases of up to 10% of the issued ordinary share capital for cancellation at a price of not less than 10 pence per ordinary share and not more than 105% of the average of the mid-market quotations for an ordinary share of the Company (as derived from the Daily Official List of the London Stock Exchange) for the five business days prior to the date of purchase.

The authority sought by Resolution 11, to make market purchases of its own ordinary shares, is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Companies Act. However, as mentioned above, the directors have no present intention of holding shares in treasury pursuant to the Companies Act 1985. Resolution 11 is proposed as a special resolution and will expire on the earlier of the 9 October 2010 and the Annual General Meeting to be held in 2010. The directors do not intend to exercise this power other than in circumstances where they consider this to be in the shareholders' interests and where this would result in an increase in earnings per share.

If they do utilise this authority, the directors will neither be encouraging nor recommending shareholders to buy or sell shares in the Company nor in any way suggesting that it is an appropriate time to deal in such shares.

Resolutions 9 to 11 are replacement authorities for existing authorities taken at the Annual General Meeting held on 9 July 2008.

Resolution 12 - Adoption of New Articles of Association

It is proposed in resolution 12 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") to take account of changes in English company law brought about by the Companies Act 2006 and to increase the limit of fees paid to Directors. The resolution adopting the New Articles will only become effective on 1 October 2009 when the last parts of the 2006 Act are implemented.

The principal changes introduced in the New Articles are summarised in Appendix 2 to the Notice of Meeting. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform certain language in the New Articles where used in the model articles for public companies produced by the Department for Business Enterprise and Regulatory Reform have not been noted in the Appendix. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 72 of this document.

Resolution 13 - Notice of General Meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. Under the provisions of the New Articles the Company will be able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009 shareholders must have approved the calling of meetings on 14 days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

By order of the Board

Steven Glew

Company Secretary

20 May 2009



Independent Auditors' Report

Independent auditors' report to the members of Business Post Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Business Post Group plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Cash Flow Statements, the Statements of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Accountability and Directors' Responsibilities section of the Corporate Governance statement.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Business Review (Financial Overview) that is cross referred from the Principal Activity and Business Review section of the Directors' Report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Introduction, Chairman's Statement, the Highlights, the Business Review, the Business Review (Financial Overview), the Directors and Advisers Statement, the Corporate Governance statement, the Audit Committee Report, the Corporate Social Responsibility statement, the unaudited part of the Remuneration Report, the Directors' Report, the Five Year Summary of Results and the Notice of Meeting. We

consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009 and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, as regards the group financial statements and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
20 May 2009



Consolidated Income Statement

for the year ended 31 March 2009

	Notes	2009 £m	2008 Restated* £m
Revenue	2	385.7	358.6
Cost of sales		(332.4)	(310.5)
Gross profit		53.3	48.1
Administrative expenses		(36.7)	(33.6)
Operating profit before exceptional items		17.7	14.5
Exceptional administrative items	3	(1.1)	-
Operating profit	5	16.6	14.5
Finance costs	4	(0.5)	(0.7)
Finance income	4	0.3	0.4
Profit before taxation		16.4	14.2
Taxation before exceptional items		(5.2)	(4.5)
Exceptional taxation items	3	(1.9)	-
Total taxation	7	(7.1)	(4.5)
Profit for the year		9.3	9.7
Basic earnings per share	9	17.1p	18.0p
Diluted earnings per share	9	16.8p	17.5p

*see note 5

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

The related notes numbered 1 to 35 form part of these financial statements.



Consolidated Balance Sheet

as at 31 March 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Goodwill	10	9.5	9.5
Intangible assets	11	2.0	1.2
Investment properties	12	1.0	1.0
Property, plant and equipment	13	38.2	36.9
Deferred tax assets	21	0.7	0.5
		<u>51.4</u>	<u>49.1</u>
Current assets			
Inventories	16	0.2	0.3
Trade and other receivables	17	53.6	59.5
Cash and cash equivalents	18	18.0	16.4
		<u>71.8</u>	<u>76.2</u>
LIABILITIES			
Current liabilities			
Borrowings	20	(1.7)	(1.7)
Trade and other payables	19	(52.8)	(56.4)
Current tax liabilities		(2.5)	(2.1)
Provisions	22	(0.6)	(1.2)
		<u>(57.6)</u>	<u>(61.4)</u>
Net current assets		<u>14.2</u>	<u>14.8</u>
Non-current liabilities			
Borrowings	20	(6.8)	(8.5)
Deferred tax liabilities	21	(3.4)	(1.0)
Provisions	22	(0.5)	(0.4)
		<u>(10.7)</u>	<u>(9.9)</u>
Net assets		<u>54.9</u>	<u>54.0</u>
Shareholders' equity			
Ordinary shares	23	5.5	5.5
Share premium		16.6	16.6
Retained earnings		32.8	31.9
Total shareholders' equity		<u>54.9</u>	<u>54.0</u>

The financial statements on pages 37 to 68 were approved by the Board of Directors on 20 May 2009 and were signed on its behalf by:

~~Peter Hone~~ *Guy Buswell*
Chairman *Chief Executive*

Steven Glew
Finance Director

[Signature]
The related notes numbered 1 to 35 form part of these financial statements.

[Signature]

[Signature]

Company Balance Sheet

as at 31 March 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Investment in subsidiaries	15	16.3	15.7
		<u>16.3</u>	<u>15.7</u>
Current assets			
Trade and other receivables	17	94.3	72.2
Current tax assets		0.7	0.6
Cash and cash equivalents	18	16.1	0.2
		<u>111.1</u>	<u>73.0</u>
LIABILITIES			
Current liabilities			
Borrowings	20	(1.0)	(1.0)
Trade and other payables	19	(97.5)	(50.6)
		<u>(98.5)</u>	<u>(51.6)</u>
Net current assets		<u>12.6</u>	<u>21.4</u>
Non-current liabilities			
Borrowings	20	(4.0)	(5.0)
Net assets		<u>24.9</u>	<u>32.1</u>
Shareholders' equity			
Ordinary shares	23	5.5	5.5
Share premium		16.6	16.6
Retained earnings		2.8	10.0
Total shareholders' equity		<u>24.9</u>	<u>32.1</u>

The financial statements on pages 37 to 68 were approved by the Board of Directors on 20 May 2009 and were signed on its behalf by:

Peter Kane
Chairman

Guy Buswell
Chief Executive




Steven Glew
Finance Director

The related notes numbered 1 to 35 form part of these financial statements.

Cash Flow Statements

for the year ended 31 March 2009

		Group		Company	
	Notes	2009 £m	2008 £m	2009 £m	2008 £m
Operating activities					
Cash generated from operations	25	25.6	25.7	26.4	3.3
Finance income received		0.3	0.4	0.2	0.3
Finance costs paid		(0.5)	(0.7)	(0.4)	(0.4)
Taxation paid		(4.6)	(3.9)	-	-
Net cash inflow from operating activities		20.8	21.5	26.2	3.2
Investing activities					
Proceeds from disposal of property, plant and equipment		0.1	0.2	-	-
Purchase of property, plant and equipment		(6.8)	(5.0)	-	-
Purchase of intangible assets	11	(1.5)	(0.6)	-	-
Net cash outflow from investing activities		(8.2)	(5.4)	-	-
Financing activities					
Dividends paid to shareholders		(9.3)	(9.3)	(9.3)	(9.3)
Repayment of finance lease liabilities		(0.7)	(0.7)	-	-
Net proceeds from issue of ordinary share capital		-	0.3	-	0.3
Purchase of Business Post shares by the ESOT		-	(1.0)	-	(1.0)
Repayment of borrowings	20	(1.0)	(1.0)	(1.0)	(1.0)
Net cash outflow from financing activities		(11.0)	(11.7)	(10.3)	(11.0)
Net increase/(decrease) in cash and cash equivalents	30	1.6	4.4	15.9	(7.8)
Cash and cash equivalents at the beginning of the year	30	16.4	12.0	0.2	8.0
Cash and cash equivalents at the end of the year	30	18.0	16.4	16.1	0.2

The related notes numbered 1 to 35 form part of these financial statements.

Statements of Changes in Shareholders' Equity

for the year ended 31 March 2009

Group	Notes	Ordinary shares £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance as at 1 April 2007		5.5	16.2	31.8	53.5
Dividends paid to shareholders	8	-	-	(9.3)	(9.3)
Purchase of Business Post shares by the ESOT	23	-	-	(1.0)	(1.0)
Employees' share option scheme:					
- value of employee services		-	-	0.9	0.9
- proceeds from shares issued		-	0.3	-	0.3
- exercise of share options		-	0.1	(0.1)	-
Tax on items taken directly to equity		-	-	(0.1)	(0.1)
Profit for the year		-	-	9.7	9.7
Balance as at 31 March 2008		5.5	16.6	31.9	54.0
 Balance as at 1 April 2008		 5.5	 16.6	 31.9	 54.0
Dividends paid to shareholders	8	-	-	(9.3)	(9.3)
Employees' share option scheme:					
- value of employee services		-	-	0.9	0.9
Profit for the year		-	-	9.3	9.3
Balance as at 31 March 2009		5.5	16.6	32.8	54.9

The related notes numbered 1 to 35 form part of these financial statements.

Statements of Changes in Shareholders' Equity

for the year ended 31 March 2009

Company	Notes	Ordinary shares £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance as at 1 April 2007		5.5	16.2	19.4	41.1
Dividends paid to shareholders	8	-	-	(9.3)	(9.3)
Purchase of Business Post shares by the ESOT	23	-	-	(1.0)	(1.0)
Employees' share option scheme:					
- proceeds from shares issued		-	0.3	-	0.3
- increase in investment in subsidiaries		-	-	1.3	1.3
- exercise of share options		-	0.1	(0.1)	-
Loss for the year		-	-	(0.3)	(0.3)
Balance as at 31 March 2008		5.5	16.6	10.0	32.1
 Balance as at 1 April 2008		 5.5	 16.6	 10.0	 32.1
Dividends paid to shareholders	8	-	-	(9.3)	(9.3)
Employees' share option scheme:					
- increase in investment in subsidiaries		-	-	0.7	0.7
Profit for the year		-	-	1.4	1.4
Balance as at 31 March 2009		5.5	16.6	2.8	24.9

The related notes numbered 1 to 35 form part of these financial statements.

Notes to the Financial Statements

1 Principal Accounting Policies

Accounting policies for the year ended 31 March 2009

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

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 1985 and those IFRS standards as adopted by the European Union and IFRIC interpretations which are effective as at 31 March 2009 ('IFRS'). The following Standards, Interpretations and Amendments, which became effective for and were adopted during the year ended 31 March 2009, had no material impact on the Group's results or financial position:

	Effective date
IFRIC 12 'Service Concession Arrangements'	1 January 2008
IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008
The following Standards, Interpretations and Amendments are effective subsequent to the year end and consequently have not been adopted for the year ended 31 March 2009. Application of these will not result in a material change to the Group's reported results or financial position.	
IAS 1 (revised) 'Presentation of financial statements'	1 January 2009
IAS 23 (amendment) 'Borrowing Costs'	1 January 2009
IAS 32 (amendment) 'Financial instruments: Presentation'	1 January 2009
IAS 36 (amendment) 'Intangible assets'	1 January 2009
IAS 39 (amendment) 'Recognition and measurement'	1 July 2009
IFRIC 13 'Customer Loyalty Programmes'	1 July 2008
IFRIC 15 'Agreements for the construction of real estate'	1 January 2009
IFRIC 16 'Hedges of a net investment in a foreign operation'	1 October 2008
IFRS 1 (amendment) 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements'	1 January 2009
IFRS 2 (amendment) 'Share-based payment'	1 January 2009
IFRS 3 (amendment) 'Business combinations'	1 July 2009
IFRS 5 (amendment) 'Non-current assets held-for-sale and discontinued operations'	1 July 2009
IFRS 8 'Operating segments'	1 January 2009

Upon adoption of IFRS 8, management anticipates a need to expand on the current disclosure in relation to segmental analysis. The adoption of this standard is not expected to impact the Group's profit or net assets.

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

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the

reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The critical accounting judgements and the key sources of estimation uncertainty are detailed in note 34.

The Group financial statements consolidate the financial statements of Business Post Group plc and its subsidiary companies for the year ended 31 March 2009. Advantage has been taken of Section 230 of the Companies Act 1985 not to include the Company's own profit and loss account. The profit of the Company for the year was £1.4m (2008 loss: £0.3m).

Consolidation

On adoption of IFRS, the Company elected not to restate business combinations prior to 1 April 2004.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition of a subsidiary, all the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are credited or charged to the post acquisition income statement.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

The results, assets and liabilities of the franchise network are not consolidated into the Group's results as the Group does not have a participating share ownership in the franchises, or the ability to direct and control their activities. Additionally, the Group does not bear or benefit in the majority of the risks and rewards.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is measured at cost less impairment losses and is tested for impairment at least annually.

On the disposal of a business, goodwill relating to that business remaining on the balance sheet is included in the determination of the profit or loss on disposal.

Intangible assets (other than goodwill)

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

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

Separately identifiable customer lists acquired by the Group are amortised over their useful economic lives, normally 18 months, with provision made for any impairment.

Notes to the Financial Statements

Investment properties

Investment properties comprise of freehold and leasehold land and buildings held for long term rental yields and are not occupied by the Group.

Investment properties are accounted for under the cost model, at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment

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

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

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

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

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

Investments in subsidiaries

Investments in Group undertakings are stated at cost less any provision for impairment.

The Company reflects the fair value of share-based payments granted to employees of subsidiary companies as an investment in subsidiaries, with a corresponding credit to equity.

Inventories

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

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

Finance and operating leases

Leasing agreements, which transfer to the Group substantially all the risks and rewards of ownership of an asset, are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give constant periodic rates of charge on the remaining balance outstanding at

each accounting period. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

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

Revenue

Revenue reflects all sales made by Business Post, whether delivered by network services or a franchisee, as the Group remains the principal in all transactions. Revenue is recognised in the accounting period in which consignments are delivered to customers.

Income from investment properties is recognised on a straight line basis over the term of the lease, even if the payments are not received on such a basis.

All revenues are stated net of value added tax.

Cost of sales

Cost of sales reflects all the direct costs incurred in the collection and delivery of a consignment, including the costs of sub-contracted and employed drivers, linehaul costs, and Royal Mail access costs, together with the direct costs of operating the network. Cost of sales includes the depreciation cost of network vehicles, cages and site equipment.

Administrative costs

Administrative costs reflect all the establishment and central support costs of the Group, including the remuneration of non-operational site based staff and head office personnel, depreciation of buildings, amortisation of central IT systems, and bad debts.

Taxation

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

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

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

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

Notes to the Financial Statements

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

Pension costs

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

Foreign currencies

Transactions in foreign currencies are recorded in sterling at the rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising from trading transactions are dealt with in the income statement.

Share-based payments

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

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

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

Provisions

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

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

Contingent liabilities

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

not recognised as liabilities.

Exceptional items

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

Dividends

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

Final dividends are recognised as a distribution from retained earnings in the period in which they are approved at the general meeting.

Financial instruments

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

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

Franchise receivables: These are recognised and carried at the original amount owed to the Group less an allowance for any non-collectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the receivable. Bad debts are written off to the income statement when identified.


Share capital: Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are reacquired (treasury shares) or shares held in the Employee Share Ownership Trust (ESOT) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments: The fair value of the instrument is re-measured at each reporting date, with any gains or losses credited or charged to the income statement.

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

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

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



Notes to the Financial Statements

2 Segmental information

The Group's primary segment reporting is by business sector with geographical reporting being the secondary format. The business segments consist of Parcel Services (B2B, International and B2C), Mail Services (UK Mail), Specialist Services (UK Pallets and Courier), and Other (Network costs and Central Support). Central Support comprises common Group Head Office functions including HR, finance and IT. Eliminations largely comprise of non-operational inter-segmental balances. Costs, assets and liabilities are allocated to specific business segments wherever possible. There are no sales between business segments.

The Group manages its business segments on a national basis, with all its operations in the UK, as are nearly all of the customers. The Group therefore considers that it operates in one geographic market, namely the UK.

Primary reporting format - business segments

The business segment results for the year ended 31 March 2009 are as follows:

	Parcel Services £m	Mail Services £m	Specialist Services £m	Other £m	Eliminations £m	Group £m
Revenue	172.3	164.5	48.9	-	-	385.7
Operating profit/(loss) before exceptional items	16.4	11.6	2.5	(12.8)	-	17.7
Exceptional items - administrative expenses	(0.8)	-	(0.3)	-	-	(1.1)
Operating profit/(loss)	15.6	11.6	2.2	(12.8)	-	16.6
Finance costs						(0.5)
Finance income						0.3
Profit before taxation						16.4
Taxation						(7.1)
Net profit attributable to equity shareholders						9.3
Segment assets	56.4	57.8	5.2	35.6	(31.8)	123.2
Segment liabilities	(32.9)	(36.6)	(15.5)	(15.1)	31.8	(68.3)
Other segment items						
Capital expenditure						
- Property, plant and equipment (note 13)	3.0	1.1	0.9	1.7	-	6.7
- Intangible assets (note 11)	-	0.2	0.2	1.2	-	1.6
Depreciation - investment properties (note 12)	-	-	-	-	-	-
Depreciation of property, plant and equipment (note 13)						
- Owned assets	2.4	0.5	0.3	1.3	-	4.5
- Under finance leases	0.1	0.5	-	-	-	0.6
Amortisation of intangible assets (note 11)						
- Owned assets	-	0.1	0.1	0.3	-	0.5
- Under finance leases	-	0.3	-	-	-	0.3
Impairment of trade receivables	0.8	0.1	0.3	-	-	1.2

Notes to the Financial Statements

The business segment results for the year ended 31 March 2008 are as follows

	Parcel Services £m	Mail Services £m	Specialist Services £m	Other £m	Eliminations £m	Group £m
Revenue	<u>179.8</u>	<u>137.3</u>	<u>41.5</u>	<u>-</u>	<u>-</u>	<u>358.6</u>
Operating profit/(loss) before exceptional items	15.4	10.0	1.3	(12.2)	-	14.5
Exceptional items - administrative expenses	-	-	-	-	-	-
Operating profit/(loss)	<u>15.4</u>	<u>10.0</u>	<u>1.3</u>	<u>(12.2)</u>	<u>-</u>	<u>14.5</u>
Finance costs						(0.7)
Finance income						<u>0.4</u>
Profit before taxation						<u>14.2</u>
Taxation						<u>(4.5)</u>
Net profit attributable to equity shareholders						<u><u>9.7</u></u>
Segment assets	<u>59.7</u>	<u>49.6</u>	<u>7.1</u>	<u>40.1</u>	<u>(31.2)</u>	<u>125.3</u>
Segment liabilities	<u>(27.9)</u>	<u>(36.0)</u>	<u>(25.0)</u>	<u>(13.6)</u>	<u>31.2</u>	<u>(71.3)</u>
Other segment items						
Capital expenditure						
- Property, plant and equipment (note 13)	2.6	0.4	0.3	1.7	-	5.0
- Intangible assets (note 11)	-	0.3	-	0.3	-	0.6
Depreciation - investment properties (note 12)	-	-	-	0.1	-	0.1
Depreciation of property, plant and equipment (note 13)						
- Owned assets	1.8	0.4	0.2	2.3	-	4.7
- Under finance leases	0.1	0.5	-	-	-	0.6
Amortisation of intangible assets (note 11)						
- Owned assets	-	-	0.1	0.2	-	0.3
- Under finance leases	-	0.3	-	-	-	0.3
Impairment of trade receivables	0.5	0.1	0.1	-	-	0.7

Company

The company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

Notes to the Financial Statements

3 Exceptional items

	2009	2008
	£m	£m
Operations restructure	1.1	0.7
FedEx termination costs	-	(0.7)
Exceptional taxation charge	1.9	-
Exceptional items	3.0	-

Operations restructure

During the year ended 31 March 2008, the board approved a 3 year change programme, designed to both integrate the different parts of the Group more, and to improve the network infrastructure. This resulted in a number of structural changes in operational and sales management, and the regionalisation of customer care centres, the costs of which were £0.7m.

Further structural changes were made during the year ended 31 March 2009, including the closure of a number of owned and franchised operational sites (with relevant operations transferred to nearby locations), and the restructuring of some central functions. This resulted in one-off redundancy costs of £0.8m and property related costs of £0.3m.

FedEx termination costs

Following the cessation of the contract from 30 April 2007 to act as FedEx's global service participant in the UK, anticipated exit costs of £1.3m were provided for, including one-off redundancy and management restructuring costs, vehicle livery removal, uniform replacement and legal expenses.

During the year ended 31 March 2008, a surplus provision of £0.7m was released, following a number of successful management initiatives, including redeployment of a number of staff, a phased roll-out programme of the new fleet complete with new livery, and a number of other locally driven site-based initiatives.

Exceptional taxation charge

The exceptional taxation charge comprises a £2.2m write-off (2008: £nil) of a deferred taxation balance resulting from the phased abolition of UK Industrial Building Allowances ('IBAs') following enactment of the Finance Act 2008, offset by £0.3m (2008: £nil) taxation relief in respect of the exceptional operations restructuring costs included above.

4 Finance costs - net

	2009	2008
	£m	£m
Interest payable on:		
Term loan	(0.3)	(0.4)
Finance leases	(0.2)	(0.3)
Finance costs	(0.5)	(0.7)
Interest receivable on:		
Bank balances	0.2	0.4
Other interest	0.1	-
Finance income	0.3	0.4
Finance costs - net	(0.2)	(0.3)

Other interest receivable includes £0.1m (2008: £nil) of interest receivable relating to corporation tax overpayments.

5 Operating profit

	2009	2008
	£m	£m
The following items have been charged/(credited) in arriving at operating profit:		
Employee benefits expense (note 6)	69.2	65.3
Cost of inventories recognised (included in cost of sales) (note 16)	11.7	10.7
Depreciation of investment properties (note 12)	-	0.1
Depreciation of owned property, plant and equipment (note 13)	5.1	5.3
Amortisation of intangibles (included in administrative expenses) (note 11)	0.8	0.6
Operating lease rentals payable		
- Plant and machinery	8.5	9.3
- Property	5.0	4.8
Repairs and maintenance expenditure on property, plant and equipment	3.3	3.4
Other operating lease rentals receivable		
- Plant and machinery	(0.3)	(0.5)
- Property	(0.4)	(0.4)
Trade receivables impairment (included in administrative expenses)	1.2	0.7
(Reversal of impairment)/impairment of franchise receivables (included in administrative expenses)	-	(0.1)

Notes to the Financial Statements

Restatement

During the year the Group reviewed the categorisation of depreciation costs. As a result, £3.9m of depreciation cost which in the results for the year ended 31 March 2008 had previously been included in administrative expenses, has been re-classified within cost of sales, reflecting the purpose in which these assets are used. Note 1 provides further details.

Services provided by the Company's auditor

During the year the Group obtained the following services from the Company's auditor and its associates:

	2009 £000	2008 £000
Fees payable to the Company's auditor for the audit of the parent company and consolidated Financial Statements	117	120
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	56	58
- Other services pursuant to legislation	21	20
- Tax services	30	50
	<u>224</u>	<u>248</u>

6 Employees and directors

Employee benefit expense for the Group during the year

	2009 £m	2008 £m
Wages and salaries	61.7	57.8
Social security costs	5.6	5.4
Other pension costs*	0.9	0.8
Share-based payments	1.0	1.3
	<u>69.2</u>	<u>65.3</u>

*Other pension costs all relate to defined contribution schemes.

The above figures include costs classified as exceptional.

Average monthly number of people (including executive directors) employed

	2009 Number	2008 Number
By business group		
Parcel services	2,183	2,303
Mail services	146	141
Specialist services	352	380
Central	153	161
	<u>2,834</u>	<u>2,985</u>

The average number of persons employed by the Company was nil (2008: nil).

Key management compensation

	2009 £000	2008 £000
Salaries and short-term employee benefits	2,609	1,555
Post-employment benefits	131	117
Termination benefits	45	-
Share-based payments	826	934
	<u>3,611</u>	<u>2,606</u>

The key management figures given above include the main board directors, both executive and non-executive.

Details of directors' emoluments are set out in the Remuneration Report.

Notes to the Financial Statements

Directors remuneration

	2009	2008
	£000	£000
Aggregate emoluments	1,732	1,000
Company contributions to money purchase pension schemes*	106	96
	<u>1,838</u>	<u>1,096</u>

* Contributions were made in respect of three (2008: three) directors.

Further details of directors' emoluments are set out in the Remuneration Report.

7 Taxation

	2009	2008
	£m	£m
Analysis of charge in period		
Current tax - current year	5.1	4.8
Current tax - adjustment in respect of prior years	(0.1)	(0.2)
Deferred tax (note 21) - current year	2.0	(0.2)
Deferred tax (note 21) - adjustment in respect of prior years	0.1	0.1
Taxation	<u>7.1</u>	<u>4.5</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are explained below:

	2009	2008
	£m	£m
Profit on ordinary activities before tax	16.4	14.2
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	4.6	4.3
Effects of:		
Expenses not deductible for tax purposes	0.4	0.3
Abolition of IBAs (shown as exceptional tax charge - see note 3)	2.2	-
Adjustment in respect of prior years	(0.1)	(0.1)
Total tax charge	<u>7.1</u>	<u>4.5</u>

As a result of the enactment of the UK Finance Act 2008 during the year, UK Industrial Building Allowances ('IBAs') are to be gradually phased out over the period to 31 March 2011. This has resulted in a one-off deferred tax charge to the income statement of £2.2m (2008: £nil).

Additionally, £nil (2008: £0.1m) of deferred tax has been debited directly to equity in respect of share options.

8 Dividends

	2009	2008
	£m	£m
Group and Company		
Final 2008 paid: 10.80p (2007: 10.80p) per 10p share	5.8	5.8
Interim paid: 6.40p (2008: 6.40p) per 10p share	3.5	3.5

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 March 2009 of 10.8p per share which will absorb an estimated £5.8m of shareholders' funds. It will be paid on 14 August 2009 to shareholders who are on the register of members on 24 July 2009.

9 Earnings per Share

Basic earnings per share is calculated by dividing the profit for the year (the "earnings") attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share ownership trust (note 23), which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year, and the contingently issuable shares under the Group's Long Term Incentive Plan.

Notes to the Financial Statements

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £m	2009 Weighted average number of shares	Per share amount pence	Earnings £m	2008 Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	9.3	54,049,420	17.1	9.7	54,068,346	18.0
Effect of dilutive shares						
Options	-	57,687	-	-	51,552	-
Long Term Incentive Plan	-	1,000,757	(0.3)	-	1,360,229	(0.5)
Diluted EPS	<u>9.3</u>	<u>55,107,864</u>	<u>16.8</u>	<u>9.7</u>	<u>55,480,127</u>	<u>17.5</u>
Basic EPS						
Earnings attributable to ordinary shareholders	9.3	54,049,420	17.1	9.7	54,068,346	18.0
Exceptional items (note 3)	3.0	-	5.6	-	-	-
Adjusted EPS*	<u>12.3</u>	<u>54,049,420</u>	<u>22.7</u>	<u>9.7</u>	<u>54,068,346</u>	<u>18.0</u>
Effect of dilutive shares						
Options	-	57,687	-	-	51,552	-
Long Term Incentive Plan	-	1,000,757	(0.4)	-	1,360,229	(0.5)
Diluted Adjusted EPS*	<u>12.3</u>	<u>55,107,864</u>	<u>22.3</u>	<u>9.7</u>	<u>55,480,127</u>	<u>17.5</u>

* Adjusted and diluted adjusted earnings per share have been calculated excluding the exceptional items and the associated tax impact.

10 Goodwill

Group	2009 £m	2008 £m
Cost		
At 1 April and 31 March	<u>9.5</u>	<u>9.5</u>
Aggregate impairment		
At 1 April and 31 March	<u>-</u>	<u>-</u>
Net book value		
At 1 April and 31 March	<u>9.5</u>	<u>9.5</u>

As required under IAS 36 'Impairment of Assets', goodwill has been allocated to the lowest level of cash-generating unit and has been tested for impairment. The carrying amounts of goodwill by company are as follows:

	2009 £m	2008 £m
BXT Limited	1.6	1.6
UK Pallets Ltd	7.9	7.9
Net book value at 31 March	<u>9.5</u>	<u>9.5</u>

Goodwill is tested for impairment annually at the time the Group prepares its annual budgets. Each impairment review takes account of the recoverable amount of the cash-generating units which is determined on a value in use basis. The 2010 budget was extrapolated using growth rates in the range of 1% to 6% pa for the first five years and 2.25% thereafter, being the long term GDP growth rate of the UK economy. The pre-tax discount rates are in the 8% to 9% range.

Sensitivity to changes in assumptions

Growth of market and market share

Management has considered the impact of a variance in the growth of the market and market share. The value in use calculation shows that if both the assumed growth rates during the initial five year forecast period and the long term growth rate were reduced to nil, the recoverable amount of each CGU would be greater than its carrying value.

Pre-tax discount rate

Management has considered the impact of an increase in the pre-tax discount rate applied to this calculation. The value in use calculation shows that if the pre-tax discount rate was increased to 11%, the recoverable amount of each CGU would be greater than its carrying value.

Notes to the Financial Statements

Market structure

Management believes that there will be no structural changes in either the palletised goods or courier markets which will affect these forecasts.

11 Intangible assets

Group	Customer lists £m	Acquired software licences £m	Internal software developments £m	Total £m
Cost				
At 1 April 2008	-	3.1	0.3	3.4
Additions	0.1	0.6	0.9	1.6
Disposals	-	(0.5)	-	(0.5)
At 31 March 2009	0.1	3.2	1.2	4.5
Aggregate amortisation				
At 1 April 2008	-	2.2	-	2.2
Charge for the year	-	0.6	0.2	0.8
Disposals	-	(0.5)	-	(0.5)
At 31 March 2009	-	2.3	0.2	2.5
Net book value at 31 March 2009	0.1	0.9	1.0	2.0

Group	Customer lists £m	Acquired software licences £m	Internal software developments £m	Total £m
Cost				
At 1 April 2007	-	2.9	-	2.9
Additions	-	0.3	0.3	0.6
Disposals	-	(0.1)	-	(0.1)
At 31 March 2008	-	3.1	0.3	3.4
Aggregate amortisation				
At 1 April 2007	-	1.7	-	1.7
Charge for the year	-	0.6	-	0.6
Disposals	-	(0.1)	-	(0.1)
At 31 March 2008	-	2.2	-	2.2
Net book value at 31 March 2008	-	0.9	0.3	1.2

Amortisation of customer lists is charged through cost of sales. Software related amortisation charges have been charged through administrative expenses.

12 Investment properties

Group	2009 £m	2008 £m
Cost		
At 31 March	1.7	1.7
Accumulated depreciation		
At 1 April	0.7	0.6
Charge for the year	-	0.1
At 31 March	0.7	0.7
Net book value at 31 March	1.0	1.0

Notes to the Financial Statements

Investment properties are accounted for under the cost model, at cost less accumulated depreciation and accumulated impairment losses and are depreciated over fifty years on a straight line basis.

One (2008: one) investment property is held by the Group, located in the West Midlands, and is being sublet under an operating lease. The rental income recognised in the year was £0.2m (2008: £0.2m). Direct operating expenses incurred were £nil (2008: £nil).

The property was valued by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External Valuers in March 2009. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ("RICS"). DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "DTZ Group"). In the financial year to 30 April 2009, the proportion of total fees payable by the Group to the total fee income of the DTZ Group was less than 5%.

The property was valued on the basis of Market Value at £2.5m (2008: £3.0m), primarily derived using comparable recent market transactions on arm's length terms. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards.

The Company does not own any investment properties (2008: none).

13 Property, plant and equipment

Group	Freehold land and buildings £m	Short leasehold improvements £m	Motor vehicles plant and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2008	21.9	2.7	25.5	10.0	60.1
Additions	-	0.3	4.2	2.2	6.7
Disposals	-	-	(2.5)	(1.4)	(3.9)
At 31 March 2009	21.9	3.0	27.2	10.8	62.9
Accumulated depreciation					
At 1 April 2008	3.1	0.7	12.4	7.0	23.2
Charge for the year	0.4	0.2	3.1	1.4	5.1
Disposals	-	-	(2.3)	(1.3)	(3.6)
At 31 March 2009	3.5	0.9	13.2	7.1	24.7
Net book value at 31 March 2009	18.4	2.1	14.0	3.7	38.2

Group	Freehold land and buildings £m	Short leasehold improvements £m	Motor vehicles plant and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2007	21.7	2.6	24.7	12.7	61.7
Additions	0.2	0.2	2.8	1.8	5.0
Disposals	-	(0.1)	(2.0)	(4.5)	(6.6)
At 31 March 2008	21.9	2.7	25.5	10.0	60.1
Accumulated depreciation					
At 1 April 2007	2.7	0.6	11.7	9.4	24.4
Charge for the year	0.4	0.2	2.6	2.1	5.3
Disposals	-	(0.1)	(1.9)	(4.5)	(6.5)
At 31 March 2008	3.1	0.7	12.4	7.0	23.2
Net book value at 31 March 2008	18.8	2.0	13.1	3.0	36.9

The Company owned no tangible fixed assets at 31 March 2009 (2008: nil).

During the year, the Company reviewed the useful economic life of fixed assets. As a consequence it was decided to amend the useful economic life of certain computer equipment resulting in a net £0.2m reduction in the depreciation charge for the year.

Notes to the Financial Statements

14 Assets held under finance leases

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

	2009	2008
	£m	£m
Cost	5.4	5.4
Accumulated depreciation	(2.4)	(1.6)
Net book value	3.0	3.8

Included in assets held under finance leases are plant and equipment with a net book value of £2.8m (2008: £3.4m) and computer software of £0.2m (2008: £0.4m).

The majority of the leases are for an initial contractual period of 7 years, with options to renew for varying further periods at fixed rates. The interest rate inherent in the lease is fixed at the contract date for the term of the lease.

15 Investments

Company

Fixed asset investments	2009	2008
	£m	£m
Cost of investments in subsidiaries		
At 1 April	16.1	14.9
Increase in investments in subsidiaries - share-based payments	0.6	1.2
At 31 March	16.7	16.1

Aggregate impairment

At 1 April and 31 March	0.4	0.4
Net book amount as at 31 March	16.3	15.7

A list of the principal subsidiary undertakings is given in note 33.

16 Inventories

	2009	2008
	£m	£m
Fuel stock	0.2	0.3

The Group consumed £11.7m (2008: £10.7m) of inventories during the year.

Inventories are carried at the lower of cost and net realisable value.

17 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Trade receivables	50.4	55.8	-	-
less: provision for impairment	(0.6)	(0.7)	-	-
Trade receivables, net of provisions for impairment	49.8	55.1	-	-
Amounts due from subsidiary undertakings	-	-	94.3	72.2
Other debtors	0.1	0.1	-	-
Prepayments and accrued income	3.7	4.3	-	-
	53.6	59.5	94.3	72.2

Notes to the Financial Statements

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated, with no one customer accounting for more than 5% of trade receivables.

Trade receivables that are neither past due nor impaired are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no trade receivables (2008: none) whose terms have been renegotiated and would otherwise be past due or impaired.

Impaired receivables mainly relate to debtors in financial difficulty where defaults in payments have occurred, liability for payment is disputed, or debtors have entered into bankruptcy. Trade receivables are impaired when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. However, the Group expects a portion of these receivables to be recovered. The maximum exposure to credit risk at the reporting date is fair value of each class of receivable mentioned above.

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

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

	2009 £m	2008 £m
At 1 April	0.7	0.8
Amount utilised through administrative expenses	(0.3)	(0.2)
Amount charged through administrative expenses	0.2	0.1
At 31 March	<u>0.6</u>	<u>0.7</u>

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

	2009 £m	2008 £m
Less than 30 days	49.4	54.0
Between 30 - 60 days	0.5	1.1
Between 60 - 90 days	0.2	0.2
More than 90 days	(0.3)	(0.2)
	<u>49.8</u>	<u>55.1</u>

As at 31 March 2009, trade receivables of £0.7m (2008: £0.8m) were impaired. The amount of provision was £0.6m at 31 March 2009 (2008: £0.7m). The ageing of these impaired trade receivables past their due date is as follows:

	2009 £m	2008 £m
Less than 30 days	0.3	0.2
Between 30 - 60 days	0.1	0.1
Between 60 - 90 days	-	0.1
More than 90 days	0.3	0.4
	<u>0.7</u>	<u>0.8</u>

As at 31 March 2009, trade receivables of £6.6m (2008: £11.8m) were past due but not impaired. The ageing of these trade receivables past their due date is as follows:

	2009 £m	2008 £m
Less than 30 days	6.3	10.7
Between 30 - 60 days	0.5	1.1
Between 60 - 90 days	0.1	0.2
More than 90 days	(0.3)	(0.2)
	<u>6.6</u>	<u>11.8</u>

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

Notes to the Financial Statements

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

	2009 £m	2008 £m
At 1 April	0.2	1.3
Amount charged through administrative expenses	-	-
Utilised during the period	(0.1)	(1.1)
At 31 March	<u>0.1</u>	<u>0.2</u>

The franchise provision represents a 100% provision against all outstanding franchise debt.

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

Company

Amounts due from subsidiary undertakings do not bear interest, and are repayable on demand.

None (2008: none) of the Company's trade and other receivables were past due at the year end and the Company does not consider it necessary to provide for any impairments.

18 Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank and in hand	<u>18.0</u>	<u>16.4</u>	<u>16.1</u>	<u>0.2</u>

The effective interest rate on the cash and bank balances was approximately 3.1% (2008: 4.8%), accruing on a daily basis.

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash and cash equivalents	<u>18.0</u>	<u>16.4</u>	<u>16.1</u>	<u>0.2</u>

19 Trade and other payables - current

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade payables	27.2	32.6	0.1	-
Other payables	1.5	0.4	-	-
Amounts owed to franchises	1.7	1.5	-	-
Amounts owed to subsidiary undertakings	-	-	97.4	50.6
Other taxes and social security payable	7.9	9.3	-	-
Accruals	14.3	10.7	-	-
Deferred income	0.2	1.9	-	-
	<u>52.8</u>	<u>56.4</u>	<u>97.5</u>	<u>50.6</u>

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

Notes to the Financial Statements

20 Borrowings

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Current				
Amounts due within one year or on demand:				
Sterling term loan (unsecured)	1.0	1.0	1.0	1.0
Finance lease obligations (see note 26)	0.7	0.7	-	-
	<u>1.7</u>	<u>1.7</u>	<u>1.0</u>	<u>1.0</u>
Non-current				
Amounts due after one year:				
Sterling term loan (unsecured)	4.0	5.0	4.0	5.0
Finance lease obligations (see note 26)	2.8	3.5	-	-
	<u>6.8</u>	<u>8.5</u>	<u>4.0</u>	<u>5.0</u>

The term loan, whilst unsecured, is guaranteed by subsidiaries of Business Post Group plc and is repayable in equal annual installments of £1m.

Interest on the term loan is reset every month (2008: quarter). As at 31 March 2009 the effective rate of interest on the term loan was approximately 2.5% (2008: 6.2%). The loan is subject to various covenants.

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

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Amounts payable under finance leases				
Less than 1 year	0.9	0.9	-	-
Between 1 and 5 years	3.1	3.6	-	-
Over 5 years	-	0.4	-	-
Total minimum lease payments	<u>4.0</u>	<u>4.9</u>	<u>-</u>	<u>-</u>
Future finance charges	(0.5)	(0.7)	-	-
Present value of finance leases	<u>3.5</u>	<u>4.2</u>	<u>-</u>	<u>-</u>

21 Deferred tax

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

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

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Deferred tax account				
At 1 April	(0.5)	(0.5)	-	-
Income statement (charge)/credit	(2.1)	0.1	-	-
(Charged)/credited to equity	-	(0.1)	-	-
At 31 March	<u>(2.6)</u>	<u>(0.5)</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Deferred tax assets				
At 1 April	0.5	-	-	-
Income statement credit/(charge)	0.2	0.6	-	-
(Charged)/credited to equity	-	(0.1)	-	-
At 31 March	<u>0.7</u>	<u>0.5</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

Deferred tax assets, relating to share based payments, are calculated on the difference between the market price at the balance sheet date and the option exercise price. The excess of the deferred tax over the cumulative income statement charge is recognised in equity.

There are no unrecognised deferred tax assets.

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

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Deferred tax liabilities				
At 1 April	1.0	0.5	-	-
Income statement charge/(credit)	2.4	0.5	-	-
At 31 March	3.4	1.0	-	-

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

The 2008 Finance Act included provisions to phase out Industrial Building Allowances over a period of 4 years to 31 March 2011. This has resulted in a one-off deferred tax charge to the income statement of £2.2m (2008: £nil).

The deferred income tax (charged)/credited to equity during the year is as follows:

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Deferred tax on share-based payments	-	(0.1)	-	-

22 Provisions

	Properties	Claims	Totals
	£m	£m	£m
At 1 April 2008	1.5	0.1	1.6
Utilised in the year	(0.4)	(0.1)	(0.5)
At 31 March 2009	1.1	-	1.1

Provisions have been analysed between current and non-current as follows:

	2009	2008
	£m	£m
Current	0.6	1.2
Non-current	0.5	0.4
	1.1	1.6

Properties

The provision for property leases relates to dilapidations on properties under leases expiring within 1 year and up to 17 years. The properties have been inspected by the Group Property Manager, and estimates made for the anticipated dilapidation expenditure to be incurred prior to sub-letting, or reversion of the lease.

As at 31 March 2008, the Group held leases over two vacant properties. Provision was made for rentals due during the anticipated time that those properties were on the market. During the year ended 31 March 2009, the leases on these properties have expired, and the Group no longer retains an interest in these sites.

Claims

During the year ended 31 March 2008, the Group provided £0.1m in respect of a number of legal actions, which have subsequently been settled in this financial year.

Notes to the Financial Statements

23 Called up share capital

Group and Company	2009 £m	2008 £m
Authorised		
70,000,000 (2008: 70,000,000) ordinary shares of 10p each	<u>7.0</u>	<u>7.0</u>

Issued, allotted and fully paid

	2009		2008	
Ordinary shares of 10p each	Shares	£m	Shares	£m
At 1 April	54,674,237	5.5	54,595,502	5.5
Allotted under share option schemes	-	-	78,735	-
At 31 March	<u>54,674,237</u>	<u>5.5</u>	<u>54,674,237</u>	<u>5.5</u>

Potential issues of ordinary shares

Certain employees and franchisees hold options to subscribe for shares in the Company at prices ranging from Nil to 496p under six share option schemes approved by shareholders between 2001 and 2008, as follows:

Scheme	Year of grant	Exercise price	Exercise period	2009 Numbers	2008 Numbers
Sharesave scheme	2004 - 2008	360p - 496p	01.08.09 to 01.03.12	362,295	315,268
New executive 2001 share option scheme	2001 - 2002	364p - 418p	05.12.04 to 31.05.12	79,360	90,626
Franchise option scheme 2002	2002	380p	12.07.05 to 12.07.12	19,735	19,735
LTIP	2005 - 2007	Nil	17.07.09 to 03.12.17	734,826	1,065,495
One-off senior executive award	2006	Nil	23.05.09 to 23.06.09	220,000	220,000
Share matching plan	2004 - 2008	Nil	15.11.09 to 04.12.11	61,534	49,917
				<u>1,477,750</u>	<u>1,761,041</u>

Employee share ownership trust

The Company's Employee Share Ownership Trust holds shares in the Company for subsequent transfer to employees under the Long Term Incentive Plan. Shares held by the Trust are not voted at shareholder meetings and do not accrue dividends. At 31 March 2009, the trust held a total of 624,817 shares (2008: 624,817 shares). All other shares carry voting rights and accrue dividends.

No shares were purchased, sold or transferred during the year. In 2008, 210,565 ordinary shares of 10p were purchased by the Trust at an average cost of £4.75, funded by a cash contribution from the Company.

24 Share-based payments

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

Employee share option scheme

Awards under the employee share option scheme were made between 1993 and 2000, exercisable within 3 - 10 years of the grant date. Exercise of an option is subject to continued employment, with settlement in the form of shares.

Sharesave plan

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

New executive 2001 share option scheme

Awards were made under an executive share option scheme between 2001 and 2003 to employees at senior management level and above, exercisable within 3 - 10 years of the grant date. Options were granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant.

Options granted under the executive share option scheme are exercisable on the third anniversary of the date of grant, subject to the condition that the growth in the Company's earnings per share exceeds the increase in the index of retail prices from the date of grant by more than 3% p.a.

Additionally, exercise of an option is subject to continued employment, with settlement in the form of shares.

Notes to the Financial Statements

Franchise share option scheme

The franchise share option scheme was introduced in 2002. Under the scheme the Remuneration Committee can grant options over shares in the Company to franchisees of the Company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. The contractual life of an option is 3 - 10 years. Awards under the scheme are generally reserved for franchisees who have met operational performance criteria in the year prior to the award and currently there are 2 franchisees participating.

Options granted under the franchisee share option scheme are exercisable on the third anniversary of the date of grant, subject to the condition that the growth in the Company's earnings per share exceeds the increase in the index of retail prices from the date of grant by more than 3% p.a.

Additionally, exercise of an option is subject to a continued franchisee relationship, with settlement in the form of shares.

Long term incentive plan ("LTIP")

Following a decision by the remuneration committee an LTIP was introduced in 2004, as a more effective means of incentivising the Company's senior management than the executive share option scheme. Under the LTIP the Remuneration Committee can grant options over shares in the Company to employees of the Company, with a contractual life of an option being 3 - 10 years.

2005 Awards

Awards may be exercised determined primarily by reference to the Company's Total Shareholder Return ("TSR") performance over a period of 3 years. Under this condition, the Company's TSR is measured against the TSR of all the other companies in the Support Services sector listed in the FTSE All Share Index at the start of the financial year in which an award is granted over a period of 3 financial years. The proportion of the award which may be exercised depends upon the ranking of the Company's TSR, whereby 10% of shares may be exercised if the Company achieves median ranking, rising pro-rata to 100% if the Company's ranking falls within the top 10%. No shares are exercisable if the Company's ranking is below the median.

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

Additionally, exercise of an option is subject to continued employment, with settlement in the form of shares.

2006 and 2007 awards

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

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

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

One-off senior executive award

Following a recommendation of the Remuneration Committee, and subsequent shareholder approval at the Annual General Meeting held on 11 July 2006, a one-off award was made of over 220,000 shares to the Chief Executive and Group Finance Director. The performance conditions attached to these awards were designed to incentivise and reward the achievement of exacting performance criteria, above and beyond those required under the normal LTIP. Specifically, the extent to which these awards will vest will be determined by the Company's EPS in 2009 relative to the budgeted EPS for 2007.

The awards will begin to vest for EPS growth in excess of 15% p.a. pro-rata to 100% vesting for growth of 20% p.a.. Additionally the targets are expressed as growth from the budgeted 2007 EPS figure (rather than the Actual 2006 result) in order to ensure that the targets are more challenging than those under the LTIP. This condition means that the minimum EPS value required in 2009 for these awards to vest is higher than the EPS value required in that year for the maximum LTIP award to vest.

The base for these awards was amended in 2008 to take account of the loss of the Federal Express contract. The targets for this scheme remain more demanding than those for the normal LTIP scheme.



Notes to the Financial Statements

Share matching plan ("SMP")

In 2004 the Remuneration Committee introduced a SMP, designed to further align the interests of certain invited executives to long-term shareholders. Under the rules, selected executives may be invited to invest a proportion of their cash bonus in the acquisition of Company shares up to 25% of their pre-tax salary. Where such an investment is made, the executives will receive a grant of a matching award over shares in the Company with an equivalent value, which may be exercised between 36 and 42 months following the date of grant.

The proportion of the award which may be exercised depends upon the growth in the Company's earnings per share and is subject to a minimum growth of 4% p.a. above the index of retail prices ("RPI") over the three year performance period. One third of the award may be exercised if growth is in excess of RPI growth by 12% over the period, two thirds if growth is in excess by 15%, and in full if growth exceeds RPI growth by 18% over the period. The awards lapse if the minimum condition is not achieved at the end of the three year performance period.

Exercise of an option is subject to continued employment, with settlement in the form of shares.

Calculation of fair values

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

For cash-settled share-based transactions, fair values of share options awarded in the financial year are measured at each balance sheet date at the fair value of the liability, with all changes immediately recognised in the Income Statement. Non-market conditions, such as the Company meeting earnings targets, are not incorporated into the calculation of fair value at the grant date but are reflected in the amount of compensation expense accrued over the vesting period. The expected life of options is determined by reference to the contractual terms.

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

	Share Matching Plan SAYE	
Grant date	03/06/08	18/07/08
Share price at grant date	£3.19	£2.90
Exercise price	-	£2.49
Number of employees	3	166
Number of shares granted	11,617	247,478
Vesting period (years)	3	3
Expected volatility	-	44.0%
Option life (years)	3	3
Expected life (years)	3	3
Risk free interest rate	4.96%	5.04%
Expected dividends expressed as a dividend yield	4.0%	4.0%
Fair value per option	£2.82	£0.92
Expected forfeiture (%)	0.0%	30.0%

The risk-free rate was determined from the UK gilts zero-coupon yield curve. The expected volatility is estimated by considering the Company's historic average share price volatility over similar periods to the expected life of the option under consideration. In addition, the expected dividend yield was based at the prevailing rates at each of the grants. A reconciliation of option movements over the year to 31 March 2009 is shown on the following page.

Notes to the Financial Statements

	2009 Number	2009 Weighted average exercise price	2008 Number	2008 Weighted average exercise price
Outstanding as at 1 April	1,761,041	£0.94	1,655,627	£1.42
Granted	259,095	£2.38	735,451	£0.81
Forfeited	(542,386)	£1.44	(553,670)	£1.80
Exercised	-	-	(76,367)	£3.98
Outstanding as at 31 March	<u>1,477,750</u>	<u>£1.01</u>	<u>1,761,041</u>	<u>£0.94</u>
Exercisable at 31 March	<u>99,095</u>	<u>£4.06</u>	<u>110,361</u>	<u>£4.07</u>

Options are exercisable as follows:

Range of exercise prices	2009				2008			
	Weighted average exercise price	Number of shares	Weighted average remaining life expected years	Weighted average remaining life contracted years	Weighted average exercise price	Number of shares	Weighted average remaining life expected years	Weighted average remaining life contracted years
£0.00 - £0.99	£0.00	1,016,360	0.8	5.8	£0.00	1,335,412	1.9	7.1
£1.00 - £1.99	-	-	-	-	-	-	-	-
£2.00 - £2.99	£2.49	210,333	2.7	2.9	-	-	-	-
£3.00 - £3.99	£3.68	173,387	1.5	1.9	£3.66	300,727	2.3	2.9
£4.00 - £4.99	£4.24	77,670	1.6	3.1	£4.45	124,902	0.8	3.2

No options were exercised during the year. The weighted average share price during the year for options exercised during the year ended 31 March 2008 was £4.61. The total charge for the year relating to employee share-based payments was £1.0m (2008: £1.3m), £0.9m (2008: £1.1m) of which related to equity-settled share-based payment transactions and £0.1m (2008: £0.2m) to cash-settled share-based transactions. After deferred tax, the net charge was £0.9m (2008: £1.1m).

25 Reconciliation of profit to net cash flow generated from operations

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Profit/(loss) for the year	9.3	9.7	1.4	(0.3)
Taxation	7.1	4.5	(0.1)	(0.1)
Finance costs payable	0.5	0.7	0.4	0.4
Finance income receivable	(0.3)	(0.4)	(0.3)	(0.3)
Exceptional items	1.1	-	-	-
Depreciation and amortisation	5.9	5.9	-	-
Loss on disposal of fixed assets	0.2	-	-	-
Share-based payments	1.0	1.3	-	-
Decrease/(increase) in inventories	0.1	(0.1)	-	-
Decrease/(increase) in trade and other receivables	5.9	(3.3)	(21.9)	(20.7)
(Decrease)/increase in trade and other payables	(4.8)	7.2	46.9	24.3
(Decrease)/increase in provisions	(0.4)	0.2	-	-
Net cash flow generated from operations	<u>25.6</u>	<u>25.7</u>	<u>26.4</u>	<u>3.3</u>

Notes to the Financial Statements

26 Derivatives and other financial instruments

Short term receivables and payables

Short term debtors and creditors have been excluded, as management consider the fair value to be the same as the book value.

Interest rate risk profile of financial liabilities

The interest risk profile of the Group's financial liabilities at 31 March 2009 was:

	2009			2008		
	Book value	Fixed rate	Floating rate	Book value	Fixed rate	Floating rate
	total	financial	financial	total	financial	financial
	£m	£m	£m	£m	£m	£m
Finance leases	3.5	3.5	-	4.2	4.2	-
Term loan	5.0	-	5.0	6.0	-	6.0
Provisions	1.1	-	1.1	1.6	-	1.6
	<u>9.6</u>	<u>3.5</u>	<u>6.1</u>	<u>11.8</u>	<u>4.2</u>	<u>7.6</u>

The interest rate on the term loan is based on a floating rate linked to the London Inter Bank Offer Rate ("LIBOR").

All financial liabilities are sterling denominated.

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

Maturity profile of financial liabilities

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

	2009			2008		
	Group	Other		Group	Other	
	debt	financial	Total	debt	financial	Total
	£m	£m	£m	£m	£m	£m
Between one and two years	1.0	0.8	1.8	1.0	0.8	1.8
Between two and five years	3.0	2.2	5.2	3.0	2.5	5.5
After five years	-	0.3	0.3	1.0	0.6	1.6
	<u>4.0</u>	<u>3.3</u>	<u>7.3</u>	<u>5.0</u>	<u>3.9</u>	<u>8.9</u>

Other financial liabilities comprise finance leases (note 20) and provisions (note 22). Creditors due within one year are excluded from the above table as they are of a short term nature.

Notes to the Financial Statements

Borrowing facilities

The Group has undrawn borrowing facilities of £5m (2008: £12m). These facilities are in place until 31 December 2009.

Fair value of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 31 March 2009 and 2008. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates. Set out below is a summary of the methods and assumptions used for each category of financial instrument.

	2009		2008	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instrument held or issued to finance the Group's operations:				
Short term borrowings	(1.0)	(1.0)	(1.0)	(1.0)
Long term borrowings	(4.0)	(4.0)	(5.0)	(5.0)
Finance leases	(3.5)	(3.4)	(4.2)	(4.0)
Cash at bank and in hand	18.0	18.0	16.4	16.4

Summary of methods and assumptions

Long term borrowings

The fair value of the bank loan approximates to the value reported in the balance sheet since it carries a floating rate where payments are reset to market rates at intervals less than one year.

Finance leases

Fair value is based by discounting the cash flows at prevailing interest rates.

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

Currency analysis of monetary net assets

The only monetary assets or liabilities that are denominated in a foreign currency are euro bank account balances of £nil (2008: £19,000).

Credit quality of financial assets

The credit risk on short-term deposits is limited because the counterparties are banks with high credit-ratings assigned by recognised international credit-rating agencies.

Notes to the Financial Statements

27 Operating lease commitments - minimum lease payments

	Group 2009		Group 2008	
	Land and buildings £m	Vehicles, plant and equipment £m	Land and buildings £m	Vehicles, plant and equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	0.3	1.5	0.5	1.8
Later than one year and less than five years	6.2	9.5	6.6	8.7
After five years	15.1	8.4	16.0	7.3
At 31 March	21.6	19.4	23.1	17.8

The Group leases various properties under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles and office equipment under non-cancellable operating lease agreements.

The Company had no operating lease commitments during the year (2008: £nil).

The total future sub-lease payments receivable relating to the above operating leases amounted to £nil (2008: £nil).

28 Contingent liabilities

The Company has guaranteed bank and other borrowings of subsidiary undertakings in a cross-guarantee agreement on an undrawn Group borrowing facility amounting to £5m (2008: £12m).

29 Capital and other financial commitments

	Group	
	2009 £m	2008 £m
Contracts placed for future capital expenditure not provided in the financial statements	0.2	0.5

30 Analysis of net (debt)/cash

Group							
	At 1 April 2007 £m	Cash Flow £m	Other £m	At 1 April 2008 £m	Cash Flow £m	Other £m	At 31 March 2009 £m
Cash at bank and in hand	12.0	4.4	-	16.4	1.6	-	18.0
	12.0	4.4	-	16.4	1.6	-	18.0
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(6.0)	-	1.0	(5.0)	-	1.0	(4.0)
Finance leases	(4.9)	0.7	-	(4.2)	0.7	-	(3.5)
	(11.9)	1.7	-	(10.2)	1.7	-	(8.5)
Net cash/(debt)	0.1	6.1	-	6.2	3.3	-	9.5
Company							
	At 1 April 2007 £m	Cash Flow £m	Other £m	At 1 April 2008 £m	Cash Flow £m	Other £m	At 31 March 2009 £m
Cash at bank and in hand	8.0	(7.8)	-	0.2	15.9	-	16.1
	8.0	(7.8)	-	0.2	15.9	-	16.1
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(6.0)	-	1.0	(5.0)	-	1.0	(4.0)
	(7.0)	1.0	-	(6.0)	1.0	-	(5.0)
Net cash/(debt)	1.0	(6.8)	-	(5.8)	16.9	-	11.1

Notes to the Financial Statements

31 Related party transactions

P Kane, a director of the company, and members of his close family and certain family trusts, the beneficiaries of which are persons connected with P Kane, control directly and indirectly 45.8% of the issued share capital of the Company. In addition, his brother M Kane controls a further 12.8% of the issued share capital of the Company.

Key management compensation is disclosed in note 6.

The balances outstanding at 31 March 2009 between the Company and other Group companies were as follows:

	2009 £m	2008 £m
Current		
Amounts due from subsidiary undertakings	94.3	72.2
Amounts owed to subsidiary undertakings	(97.4)	(50.6)

Movements in these balances largely comprise of inter-company funding.

32 Post balance sheet events

The directors are proposing a final dividend in respect of the financial year ending 31 March 2009 of 10.8p per share, which if approved will be paid on 14 August 2009 to shareholders who are on the register of members on 24 July 2009.

33 Principal subsidiaries

The Company has the following principal wholly owned trading subsidiaries, all operating within the UK:

Subsidiary	Nature of business	Country of incorporation	Percentage of nominal value of ordinary shares held by the Group
Business Post Ltd	Parcel and express mail collection and delivery services	England	100%
UK Mail Ltd	Collection and delivery of business mail	England	100%
UK Pallets Ltd	Collection and delivery services for palletised goods	England	100%

The Company holds 100% of the voting rights of each of the above subsidiaries.

The financial results of all of the subsidiaries listed above are included within the consolidated report and accounts.

Notes to the Financial Statements

34 Critical accounting judgements and key sources of estimation uncertainty

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

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

Exceptional items

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

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

- (i) loss or cessation of a material contract representing 5% or more of the Group's revenues;
- (ii) disposal of fixed assets where the profit or loss represents 5% or more of the Group's profit before tax;
- (iii) disposal of investments;
- (iv) organisational or restructuring programmes.

Leases

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

b) Key sources of estimation uncertainty

Useful economic lives of property, plant and equipment

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

Recoverability of trade and franchise receivables

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

Goodwill impairment

Goodwill impairment is tested for at least annually, by calculating the estimated recoverable amount from each cash generating unit ('CGU') on a value-in-use basis. In performing the test management needs to assess and consider;

- (i) the likely sales and cost growth assumptions used by the CGU;
- (ii) the sector specific short- and long-term growth rates, as well as that in the UK economy as a whole;
- (iii) the pre-tax discount rate applicable to the Company.

Provisions

The Group has provided for the estimated cost of making good properties on cessation of the lease. This requires the Directors to make an assessment of the potential cost of the work as at the reporting date. However, these costs will not be immediately incurred and on an ongoing basis, the Group maintains its properties through a programme of repair and renewal which may result in changes required in the carrying value of these provisions.

35 Financial Risk Management

The Group's overall objective when managing financial risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders. To this end, the Group seeks to utilise net debt as part of the long term capital structure, both through bank and lease financing.

Risks are inherent in the use of debt capital, including interest rate risk. Additionally the Group is routinely exposed to a number of other financial risks, the most significant of which include credit risk on trade receivables, regulatory risk and price risk. These are discussed below.

Risk management is carried out by a central treasury function under written policies approved by the Board. Under the supervision of the Group Finance Director, the Group Treasury function identifies and evaluates financial risks in close co-operation with the operating divisions,

The use of simple financial derivatives is considered in order to hedge specific financial risks where cost effective to do so. The Group does not enter into, or trade, financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Overall, since the vast majority of the Group's activities are provided to UK businesses, the fortunes of the Group are linked to the general health of the UK economy. The Group's exposure is limited by being spread across a wide range of customers. No single customer accounts for more than 5% of revenue.

Notes to the Financial Statements

Credit risk

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

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

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence and strict credit control of outstanding amounts. Trade credit insurance is employed to protect any significant exposure to bad debts.

Regulatory risk

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

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

Price risk

Fuel is a significant cost to the Group, although it constitutes less than 4% of total costs. Price risk is minimised as significant increases in the fuel price can be passed onto customers via a fuel surcharge mechanism common throughout the express delivery industry.

The Group has both interest-bearing assets and interest-bearing liabilities. As at the balance sheet date these largely comprise of the following:

Asset/liability	Interest accrues on:	2009 £m	2008 £m
Cash at bank and in hand	Floating rate linked to base rates	18.0	16.4
Bank loan	Floating rate linked to LIBOR	(5.0)	(6.0)
Finance leases	Fixed rate at inception of the lease	(3.5)	(4.2)

The reported results would not have been materially different had market interest rates been 0.5% adverse/favourable throughout the financial year, with all other variables held constant.

Liquidity risk

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 to 11. The financial position of the Group, its cash flows, liquidity position and treasury risk management approach are described in the Financial Overview on pages 12 to 15, and its borrowing facilities detailed in note 26.

The Board reviews both the long and short-term financing requirements of the Group to ensure that there are sufficient available funds both for the day-to-day operations of the Group and for planned capital investments. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

At the year end, the Group had undrawn borrowing facilities of £5m under a facility expiring 31 December 2009.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the long-term cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Foreign exchange risk

The Group is not significantly exposed to the effects of fluctuations in exchange rates since all income is in sterling and costs denominated in foreign currency represent less than 0.1% of all expenditure.

Five Year Summary of Results

	IFRS 2009 £m	IFRS 2008* £m	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m
Revenue	385.7	358.6	325.6	278.2	233.3
Cost of sales	<u>(332.4)</u>	<u>(310.5)</u>	<u>(275.6)</u>	<u>(231.4)</u>	<u>(184.7)</u>
Gross profit	53.3	48.1	50.0	46.8	48.6
Administrative expenses	<u>(36.7)</u>	<u>(33.6)</u>	<u>(39.6)</u>	<u>(41.7)</u>	<u>(28.7)</u>
Operating profit	16.6	14.5	10.4	5.1	19.9
Net finance costs	<u>(0.2)</u>	<u>(0.3)</u>	<u>(0.6)</u>	<u>(0.4)</u>	<u>(0.3)</u>
Profit on ordinary activities before taxation	16.4	14.2	9.8	4.7	19.6
Taxation	<u>(7.1)</u>	<u>(4.5)</u>	<u>(2.9)</u>	<u>(1.3)</u>	<u>(5.9)</u>
Profit for the financial year	<u>9.3</u>	<u>9.7</u>	<u>6.9</u>	<u>3.4</u>	<u>13.7</u>
Earnings per share - basic	<u>17.1p</u>	<u>18.0p</u>	<u>12.8p</u>	<u>6.4p</u>	<u>25.6p</u>
Dividends per share	<u>17.2p</u>	<u>17.2p</u>	<u>17.2p</u>	<u>19.2p</u>	<u>18.5p</u>

The calculation of earnings per share for the five years ended 31 March 2009 is based on the following weighted numbers of shares in issue:

31 March 2009	54,049,420
31 March 2008	54,068,346
31 March 2007	54,150,544
31 March 2006	53,962,493
31 March 2005	53,586,502

*restated - see note 5

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Business Post Group Plc will be held at Investec, 2 Gresham Street, London EC2V 7QP on 15 July 2009 for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 9 will be proposed as ordinary resolutions and Resolutions 10 to 13 will be proposed as special resolutions.

Ordinary business

- | | |
|--|---------------------|
| 1 To receive and adopt the directors' Annual Report and Accounts and the auditor's report thereon for the year ended 31 March 2009. | Resolution 1 |
| 2 To declare a final dividend of 10.8p net per ordinary share for the year ended 31 March 2009, payable to shareholders on 14 August 2009 who are on the register on 24 July 2009. | Resolution 2 |
| 3 To approve the remuneration report of the directors. | Resolution 3 |
| 4 To re-elect Guy Buswell as a director. | Resolution 4 |
| 5 To re-elect Peter Kane as a director. | Resolution 5 |
| 6 To re-elect Trevor Jenkins as a director. | Resolution 6 |
| 7 To re-appoint the auditors, PricewaterhouseCoopers LLP and to authorise the directors to determine the auditors' remuneration. | Resolution 7 |

Special business

- | | |
|---------|---------------------|
| 8 That: | Resolution 8 |
|---------|---------------------|

the rules of the Business Post Group Plc Long Term Incentive Plan 2009 (the "LTIP 2009") referred to in the Directors' Report and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to make such modifications to the LTIP 2009 as they may consider appropriate for the implementation of the LTIP 2009 and to adopt the LTIP 2009 as so modified and to do all such other acts and things as they may consider appropriate to implement the LTIP 2009.

- | | |
|---------|---------------------|
| 9 That: | Resolution 9 |
|---------|---------------------|

- 9.1 the directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,532,576 provided that this authority shall (unless previously revoked or varied by the Company in general meeting) expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
- 9.2 the authority hereby conferred upon the directors replaces the authority conferred upon the directors pursuant to the resolution passed by shareholders of the Company on 9 July 2008 provided that such replacement shall not have retrospective effect.

- | | |
|----------|----------------------|
| 10 That: | Resolution 10 |
|----------|----------------------|

- 10.1 the directors be and they are hereby empowered to allot equity securities (within the meaning of section 94 of the Companies Act 1985 ("the Act")) wholly for cash pursuant to the authority conferred on the directors by resolution 9 contained in the notice of the Annual General Meeting of the Company of which this resolution forms part as if sub-section (1) of section 89 of the Act did not apply to any such allotment provided that this power shall be limited to:
- 10.1.1 the allotment of equity securities in connection with a rights issue open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them and for the purposes of this resolution "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to:
- (a) holders on the register on a fixed record date of ordinary shares in proportion to their respective holdings; and
- (b) holders on the register on a fixed record date of other equity securities to the extent expressly required or (if considered appropriate by the directors) permitted by the rights attached thereto;
- but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock
- 10.1.2 the allotment (otherwise than pursuant to paragraph 10.1.1 above) of equity securities up to an aggregate nominal value of £273,371;
- and shall (unless previously revoked or varied by the Company in general meeting) expire on the earlier of 9 October 2010 or the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and
- 10.2 all authorities conferred under section 95 of the Companies Act 1985 prior to the date of this Annual General Meeting be and they are hereby revoked provided that such revocation shall not have retrospective effect.



Notice of Meeting

11 That:

Resolution 11

pursuant to Article 9 of the Company's Articles of Association and Section 166 of the Companies Act 1985, the Company be and is hereby authorised to make market purchases of ordinary shares of 10p each in the capital of the Company provided that:

- 11.1 the maximum number of ordinary shares hereby authorised to be purchased is 5,467,423;
- 11.2 the minimum price which may be paid for each ordinary share is 10 pence per ordinary share which amount shall be exclusive of expenses;
- 11.3 the maximum price which may be paid for each ordinary share is, in respect of an ordinary share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105% of the average of the mid-market quotations for an ordinary share of the Company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;
- 11.4 the authority hereby conferred shall expire on the earlier of 9 October 2010 or the conclusion of the next Annual General Meeting of the Company after the date of passing this resolution, unless such authority is renewed prior to such time; and
- 11.5 the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be exercised wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

12 That with effect from 00.01 a.m. on 1 October 2009:

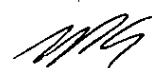
Resolution 12

- 12.1 the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- 12.2 the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13 That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

Resolution 13

By order of the Board
Steven Glew
Company Secretary
20 May 2009



Notice of Meeting

Notes

1. THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.
2. If you have sold or transferred all your ordinary shares in Business Post Group Plc, please send this document and the enclosed form of proxy to the stockbroker, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.
3. Explanatory statements relating to special business of the Annual General Meeting are contained in the Directors' Report (under the headings Annual General Meeting - special business) and in the appendices to this Notice of Meeting.
4. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. Such proxy or proxies need not be a member of the Company. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Equiniti Limited on 0871 384 2799. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
5. A reply paid form of proxy is provided. To be effective, a form of proxy must be completed, signed and (together with the original or a notarially certified copy of any power of attorney or other authority under which it is executed) lodged at the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA not later than 48 hours before the time of the meeting or any adjourned meeting or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
6. There will be available for inspection at the registered office of the Company on any weekday (except Saturday) during normal business hours from the date of this notice until the day of the Annual General Meeting and at the place of the Annual General Meeting for a period of 15 minutes prior to and during the Annual General Meeting:
 - (a) a copy of the proposed new articles of association of the Company, and a copy of the existing memorandum and articles of association marked to show the changes being proposed in resolution 12;
 - (b) copies of the executive directors' service contracts;
 - (c) copies of the letters of appointment of the non-executive directors; and
 - (d) the register of directors' interests in the shares of the Company.
7. A copy of the draft rules of the Business Post Group Plc Long Term Incentive Plan 2009 will be available for inspection at Hewitt New Bridge Street at 6 More London Place, London, SE1 2DA during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
8. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the Company as at 12.00 pm on 13 July 2009 shall be entitled to attend and vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 12.00 pm on 13 July 2009 shall be disregarded in determining the right of any person to attend or vote at the meeting.
9. As at 20 May 2009 (being the last business day prior to the publication of this notice), the Company's issued share capital was 54,674,237 shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 May 2009 were 54,674,237.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
11. The statement of the rights of members in relation to the appointment of proxies in paragraphs 4 and 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

ENQUIRIES

Equiniti Limited maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

DATA PROTECTION STATEMENT

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.



Notice of Meeting - Appendix 1

Summary of the principal terms of the Business Post Group Plc Long Term Incentive Plan 2009 (the "Plan")

1. Operation

The remuneration committee of the board of directors of the Company (the "Committee") will supervise the operation of the Plan.

2. Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

3. Grant of awards

The Committee may grant awards to acquire ordinary shares in the Company ("Shares") within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Plan or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following the adoption of the Plan.

The Committee may grant awards as conditional shares or a nil (or nominal) cost option with a set exercise period. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

4. Individual limit

An employee may not receive awards in any financial year over Shares having a market value in excess of 100 per cent of his annual base salary in that financial year, including anticipated dividend equivalent. In exceptional circumstances, such as recruitment or retention, this limit is increased to 150 per cent of an employee's annual base salary.

5. Performance conditions

The vesting of awards made to senior executives will be subject to performance conditions set by the Committee.

The performance conditions applying to the initial awards to be made to senior executives will be based on the Company's earnings per share ("EPS") and total shareholder return ("TSR") performance over a three-year performance period commencing with the financial year in which the awards are granted.

50% of the shares subject to these initial awards will be subject to the EPS condition (the "EPS Tranche"). The remaining 50% of the shares subject to these awards will be subject to the TSR condition (the "TSR Tranche").

The vesting of the EPS Tranche will be determined by the Company's EPS growth over the performance period. 25% of the EPS Tranche will vest for annual growth of 5% over the performance period, with full vesting for annual growth of 9% over the performance period. These targets are regarded by the Committee as challenging in the current economic environment. Assuming an improved economic outlook, the Committee would expect to set higher targets for EPS growth for future awards.

The TSR condition will be measured by ranking the Company's TSR performance over the performance period compared to the TSR performance of the constituent companies of the FTSE All Share Index (excluding investment trusts), with 25% of the TSR Tranche vesting for median performance over the performance period rising to 100% of the TSR Tranche vesting for upper quartile performance.

The Committee can set different performance conditions from those described above for future awards to senior executives provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the variation is fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

6. Vesting of awards

Awards normally vest three years after grant to the extent that the applicable performance conditions have been satisfied and provided the participant is still employed in the Company's group.

Vested awards granted in the form of options will lapse ten years after their grant, if they have not been exercised or have not lapsed earlier (see "Leaving employment" and "Corporate events" below).

7. Dividend equivalents

The Committee may decide that participants will receive a payment (payable in Shares unless the Committee decides otherwise in exceptional circumstances) on or shortly following the vesting or exercise of their awards of an amount based on the value of the dividends that would have been paid on those Shares between the time when the awards were granted and the time when the underlying shares are issued or transferred to the participant following the vesting or exercise of awards. The basis for calculating this amount may assume that dividends were reinvested in further Shares on the relevant ex-dividend date.

Notice of Meeting - Appendix 1

Summary of the principal terms of the Business Post Group Plc Long Term Incentive Plan 2009 (the "Plan")

8. Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of his ill health, injury, disability, retirement, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, his award will vest on the date when it would have vested if he had not ceased such employment or office, subject to: (i) the performance conditions being satisfied at the end of the period over which the conditions are measured and (ii) the pro-rating of the award to reflect the reduced period of time between the grant of the award and the participant's cessation of employment as a proportion of the normal three-year vesting period, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Committee can decide that his award will vest when he leaves. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied by reference to the date of cessation; and (ii) pro-rating by reference to the time of the participant's cessation of employment as a proportion of the vesting period as described above.

If a participant dies, his award will vest on the date of his death subject to: (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the date of his death as described above, although the Committee can decide, in exceptional circumstances, that his award will vest on the date when it would have vested if he had not died and the performance condition will be measured at that time.

In any of the above "good leaver" circumstances, any vested awards granted as options may be exercised within a period of 12 months starting from the later of (i) the date on which the award vested and (ii) the date when the participant ceased employment.

9. Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

10. Participants' rights

Awards will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares.

11. Rights attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

12. Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

13. Overall Plan limits

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and
- (b) 5 per cent of the issued ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits.

14. Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.



Notice of Meeting - Appendix 2

Explanatory notes of principal proposed changes to the Company's Articles of Association

1. General

The proposed amendments to the Current Articles reflect changes in the law under the Companies Act 2006 that came into force in 2007 and 2008 and which will come into force on 1 October 2009, to increase the limit on fees paid to Directors and to make certain clarifying and conforming changes. The proposed amendments will all take effect, if approved, on 1 October 2009.

2. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Current Articles and the Memorandum of Association ("Memorandum"). The Company's Memorandum contains the objects clause which sets out the scope of the activities the Company is authorised to undertake. This clause is drafted to give a wide scope.

Under the Companies Act 2006, the objects clause and all other provisions which are currently contained in a company's Memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles but can be removed by special resolution.

The Companies Act 2006 further states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause, together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles as of 1 October 2009. The limited liability of members will be preserved in the New Articles. Resolution 12 confirms the removal of these provisions for the Company.

3. Change of name

Currently, a company can only change its name by special resolution. The Companies Act 2006 additionally allows directors to resolve to change a company's name, provided they are so authorised by the company's articles. The New Articles will give the Directors this power.

4. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

5. Authorised share capital

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the Current Articles are being amended to reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

6. Redeemable shares

At present if a company wishes to issue redeemable shares it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles will contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would seek shareholders' authority to issue new shares in the usual way.

7. Uncertificated securities

The Current Articles are being updated to permit, and deal, with the holding of shares in the Company in uncertificated form, such as through CREST, in line with market practice.

8. Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement and therefore is being removed.

9. Adjournments

The Current Articles provide that the chairman of a general meeting can usually only adjourn general meetings with the consent of the meeting. The Directors consider that there will be situations where the chairman should have the flexibility to adjourn meetings and this has been provided in the New Articles.

10. Convening extraordinary and annual general meetings

The provisions of the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being conformed with the relevant matters provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 clear days' notice whereas previously 21 clear days' notice was required.

Notice of Meeting - Appendix 2

Explanatory notes of principal proposed changes to the Company's Articles of Association

11. General meetings

The New Articles will also provide the Directors and the chairman of any general meeting with the power to make arrangements for good order at general meetings and to ensure the safety and security of attendees. In addition proposed amendments to ordinary resolutions will now need to be lodged with the Company at least 48 hours before the meeting to consider the ordinary resolution unless the chairman of the Company otherwise agrees.

12. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

13. Limit on fees paid to directors

The New Articles will increase the annual cap on the aggregate fees payable to Directors from £125,000 to £400,000 commencing with the current financial year. The limit in the Current Articles has not been increased since 1993 and the Directors now consider it appropriate to increase the limit so that the Company has sufficient flexibility to attract and retain non executive directors of the necessary calibre. Directors' overall remuneration will continue to be disclosed in the Remuneration Report.

14. Appointment and retirement of directors

The Current Articles contain a provision imposing an age limit on directors. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles. In addition, the circumstances in which directors must cease to hold office are being brought into line with the model articles of public companies produced by the Department of Business, Enterprise and Regulatory Reform.

15. Provision for employees on cessation of business

The Companies Act 2006 allows directors of a company to make provisions for payments to employees or former employees in connection with the cessation or transfer of the business of the company, its subsidiaries or undertakings. The Companies Act 2006 stipulates that these powers may only be exercised by directors if they are so authorised by the company's Articles or by the company in General Meeting. The New Articles will contain such a power.

16. Use of seals

The Companies Act 2006 provides an alternative option for the execution of documents (other than share certificates). The new provisions state that when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors, or such other person or persons as the directors may approve.

17. Electronic and web communications

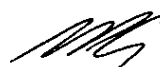
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles will permit communications to members in electronic form and, in addition, they will also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of electronic or website communications, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by those means. In the case of website communication, the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

18. Indemnity, insurance and defence expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The New Articles reflect these new provisions.

19. Other

Generally the opportunity has been taken to bring clearer language into the New Articles and to update the language used in the Current Articles and for other legislative changes which do not have a material impact.



Financial Calendar

15 July	2009	Annual General Meeting
22 July	2009	Shares become ex dividend
24 July	2009	Record date for dividend
14 August	2009	Payment for final dividend for the year ended 31 March 2009
November	2009	Announcement of interim results and interim dividend for the year ending 31 March 2010
January	2010	Payment of interim dividend for the year ending 31 March 2010

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02800218

Designed and Produced by Business Post Marketing

Portrait photography by SO Photo

Operational photography by Image Machine