02800218
BUSINESS POST GROUP PLC

Annual **Report & Accounts**

2008

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(Pre-central costs*)

Parcels **Mail** **Specialist**

***£12 2 million**

Business Post is one of the largest integrated parcel, mail and logistics services companies within the UK and the leading 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 £179 8m in the year ended 31 March 2008, representing 50% 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 55 UK sites using 3 500 vehicles This unrivalled infrastructure underpins the Group's wide-ranging service offering supporting all parcel, mail and pallet delivery options

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 eleven million mail items a day for over 700 customers, including some of the UK's biggest mailers, and achieved revenue in the year ended 31 March 2008 of £137 3m representing 38% 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 £41 5m representing 12% 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 more than 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

I am pleased to report another year of good progress as we seek to establish ourselves as the UK's leading integrated postal group

Our Mail business has achieved an 11% market share in only its fourth year of operation, our Parcels business is now responding well to the recovery programme and Specialist Services has recently won a number of major contracts

We have also significantly strengthened our management teams and installed ways of working which integrate our businesses

Results

Group revenue increased by 10% to £359m (2007 £326m) The main factor was the continued excellent growth of UK Mail where revenues increased by 52% to £137m (2007 £90m)

Operating profit before exceptional items increased to £14 5m (2007 £12 1m) This performance is driven by further strong profit growth in UK Mail Parcels has also improved its profit, despite the termination of the Federal Express contract in April 2007

Profit before taxation for the year was £14 2m (£2007 £9 8m)

Business

Our Parcels business is one of the leading express parcels carriers in the UK The majority of our parcels revenues are derived from our concentration on the business-to-business market, which represents some 80% of our parcels revenues This area of our business has achieved revenue growth of 6% for the year and has continued to outperform the market levels of growth This is where our focus will remain

Our smaller business-to-consumer business however, has seen revenues decline This decline is largely due to a shift in the market towards 'lifestyle' couriers who provide lower service levels We continue to see opportunities in this market particularly for customers that require a premium service

We have restructured our Parcels operations such that of our 55 sites, 44 are owned and 11 are franchised Three years ago 35 of our sites were franchised The remaining franchise operations all trade profitably and are an important component of our operation

Our Mail business, UK Mail, is a leading supplier in the mail market We have invested significantly introducing a nationwide network of mail sortation machines Mail is sent through the same network as parcels allowing us to optimise our operations

As we reach the fourth anniversary of the creation of UK Mail we now collect some 11% of the mail in the UK and have achieved an operating profit of £10m We see excellent growth prospects as we continue to provide high levels of service and product innovation for our customers

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

Strategy

Our strategy is to become the UK's leading integrated postal group There are clear opportunities to provide integrated services across the markets we service We have developed a plan to exploit these opportunities and I am pleased with the progress being made

Board of directors

Dennis Clark will retire as non-executive director in July 2008, having joined the Board in October 1998 On behalf of the Board I would like to thank Dennis for his much valued advice over that period and wish him well in his retirement We have started the process of appointing a successor to Dennis, and expect to have completed this process by July 2008

Dividends

The Board recommend a final dividend of 10 8p per share (2007 10 8p) giving a total dividend for the year of 17 2p per share (2007 17 2p)

Staff and associates

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

Outlook

We have made good progress during the period which has resulted in a much improved financial performance Our strategy of creating an integrated offering is well developed and starting to deliver benefits across the Group Our focus remains to drive the recovery of our Parcels business and to continue the strong growth in our Mail business where we are seeking to broaden our product portfolio to attract a significantly wider range of mail users

The start of the new financial year has been encouraging with trading in the early weeks in line with management's expectations

Peter Kane
Chairman

Highlights

- Group revenues up 10% to £359m (2007 £326m)
- Group revenues excluding Federal Express up 16 5%
- UK Mail revenues up 52% to £137m (2007 £90m)
- Profit before tax up 45% to £14.2m (2007 £9 8m)
- Basic earnings per share up 41% to 18 0p (2007 12 8p)
- Final dividend of 10 8p per share (2007 10 8p)

- Business to Business revenue growth of 6%
- Parcels operating margin increased by 0.8% to 8.6%
- Substantial progress with improving efficiency and effectiveness of parcels operation

Business Review
Parcels

The recovery in our Parcels business has continued and we are confident of maintaining the momentum we have seen this year.

The Group has made good progress in the year UK Mail has again grown strongly, with a number of significant contract wins The recovery in our Parcels business has continued and we are confident of maintaining the momentum we have seen this year Our Specialist Services courier business has undergone a year of change as the new management team has re-focused the business New contract wins mean that Courier is back on track for improved performance

We have achieved a significantly improved financial performance compared to last year Group revenues grew by 10 1% to £358 6m and profit before tax at £14 2m was 44 9% up on last year This profit increase was achieved despite the termination of the Federal Express contract in April 2007

Our aim is for Business Post to become the UK's leading independent integrated postal group In support of this objective we have developed a more integrated management approach, a much greater degree of customer orientation and continued product innovation, all of which are serving to reinforce our market leadership and differentiated positioning Our sales, marketing and customer relations teams are now fully integrated across our Parcels, Mail and Specialist businesses This integration has started to deliver benefits in the form of revenues and profits as we build on our strong customer relationships to create new opportunities across our business

Parcels

Revenues in Parcels which comprises the Group s business-to-business, business-to-consumer and international parcel delivery service, were up 2% for the year on a like-for-like basis (excluding the revenues from the terminated Federal Express contract) Reported revenues were 7 2% lower at £179 8m (2007 £193 8m)

Parcel's reported operating profit increased by 2% to £15 4m Parcel's operating margin increased by 0 8% to 8 6%

Business-to-business, which represents approximately 80% of our Parcels revenues, has achieved good growth for the year with revenues up some 6% This strong performance has been driven by continued high levels of customer service and innovative product offerings

Business-to-consumer revenues, which represent approximately 15% of our Parcels revenues, were down some 7% in the period The first three quarters of the year were particularly challenging in business-to-consumer, reflecting a more competitive market However, we have seen an improved trend of performance in the fourth quarter We continue to focus on the attractive opportunities that exist for us in this market, particularly with customers that require a premium service

We have made substantial progress with our plans to improve the efficiency and effectiveness of our parcels operation - leading to the reported increase in operating margin In particular we have further improved the efficiency of our overnight linehaul operation and implemented new technology to improve the effectiveness of our deliveries and our customer service

In December 2007 we appointed a new Network Operations Director to help drive the necessary changes through the division Following his appointment we have restructured Parcels' management team to increase the focus on improving operational performance and customer service levels We have also reviewed our customer service operation and established new specialist customer care centres to improve customer support and reduce operating costs

There is still more to do in our Parcels business to achieve our margin and efficiency targets

- UK Mail share of total mail market doubled to 11%
- Major new contract wins
- Significant product innovation

Business Review

Mail

A vital element of our success in this market has been product innovation which allows us to grow the available market

UK Mail showed further strong growth We have enjoyed continued success in attracting new business, as a result of which, revenues rose 52% to £137 3m (2007 £90 3m)

UK Mail operating profits were up 56% to £10 0m (2007 £6 4m), reflecting the strong revenue growth combined with a slight increase in the operating margin to 7 3% (2007 7 1%)

On 10 May 2008, UK Mail reached the fourth anniversary of its trading It has now developed into the leading player in the 'Downstream Access' market, with a market share, by volume collected, of some 11%

We have achieved this growth through providing industry leading customer service levels and technology solutions combined with unrivalled product innovation We have won a significant number of new customers in the year including MBNA and Virgin Media We have also continued to win further business from existing customers and renewed a number of major contracts

To gain critical mass, our initial focus has been on securing contracts with large corporate customers Through our product innovation and integrated sales operation, we are now increasingly able to offer our Mail service to a significantly wider market

A vital element of our success has been product innovation We are about to launch three further new products 'iMail, 'disguised mail' and 'returned mail

iMail is a hybrid next day mail service allowing customers of any size to electronically transmit mail items to our national network of mail centres At these centres the mail is printed, enveloped and sent for next day delivery We estimate this service reduces the 'carbon footprint' of a letter by some 80% as well as providing later deadlines for submission of mail and reduced costs for our customers

In December 2007 the Government announced a review of the Postal Market The interim report published in May 2008 outlined the terms of reference to enable decisions to be made on the future of Royal Mail, its Universal Service Offering and financial stability The review highlighted that competition, namely Access operators, have provided innovation to large mail users, but that consumers had yet to benefit from competition, although it also cited UK Mail's "iMail as a future innovation for that market The final report is expected in autumn 2008

We have submitted our response to the review with the proposal for 'Commercial Equivalence' which would segregate the selling and distribution elements of Royal Mail We believe this proposal will incentivise the Royal Mail network to become more efficient and profitable It will also incentivise Royal Mail to market products to Access operators as a true wholesale channel to market, as now seen in the telecomms industry

- UK Pallets revenues up 4%
- Pallets network strengthens further
- Courier major contract wins

Business Review
Specialist

We see significant further opportunities for this business, now trading under the UK Mail brand, to benefit from existing customer relationships elsewhere in the Group, particularly in the financial services sector.

Overall revenues in Specialist Services, comprising our nationwide palletised goods delivery service (UK Pallets) and same-day courier activities (UK Mail – Courier), remained unchanged year on year at £41 5m However, revenues are now increasing, with the fourth quarter showing growth

Overall, Specialist Services operating profits reduced by 35% to £1 3m This decrease reflects the reduction in revenues and operating margins in the Courier business during this period of reorganisation

UK Pallets

UK Pallets again performed well, with revenues up 4% to £30 4m (2007 £29 1m), driven by improvements in the quality of the pallet network, management and marketing initiatives

The market for palletised distribution in the UK continues to grow reflecting a shift in the logistics industry towards the use of these arrangements for the movement of partial loads of palletised freight

In the year we have grown our member network to 80 members and we continue to strengthen the network and improve coverage This improved network has allowed us to increase the scope and quality of the services provided by UK Pallets to its customers

The business has benefited in the year from the increased focus on the fundamentals of safety, accuracy and control in the presentation and handling of freight shipped through the system This has resulted in an increased retention and development of customers throughout the network

Courier

Revenues in our Courier business reduced by 10% to £11 1m (2007 £12 4m)

In March 2007 we changed the management of our Courier business The renewed strategy is to develop a nationwide network of couriers to allow us to win and effectively support national courier contracts This strategy is now working and we have recently won a number of major contracts, including a contract with Orange to support its CARE service These contracts commence in the first half of the current financial year

We have now created a national courier network providing us with the platform to win further national contracts

We see significant further opportunities for this business, now trading under the UK Mail brand, to benefit from existing customer relationships elsewhere in the Group, particularly in the financial services sector

Business Review
Financial Overview

"Good profit growth has been turned into strong cash generation giving us a satisfactory cash balance at the end of the year"

Financial overview

Good profit growth has been turned into strong cash generation giving us a satisfactory cash balance at the end of the year Both revenue and profit after tax, were up on the same period last year Cash generation has also been strong with £21 5m net cash inflow from operating activities for the year (2007 £26 2m)

Revenue

Revenue increased by 10 1% to £358 6m (2007 £325 6m)

	2008 **£m**	2007 £m	Inc/(Dec) %
Parcels	**179 8**	193 8	(7 2%)
Mail	**137 3**	90 3	52 0%
Specialist Services	**41 5**	41 5	-
Total	**358 6**	325 6	10 1%

Parcels revenues have declined by 7 2% to £179 8m (2007 £193 8m) If the loss of revenue due to the termination of the FedEx contract is excluded, underlying Parcels revenues are up 2 0%

UK Mail revenue increased by 52 0% to £137 3m (2007 £90 3m), reflecting both further contract wins, and volume increases from existing customers

Specialist Services revenues remained static at £41 5m

Profit before taxation

	2008 **£m**	2007 £m	Inc/(Dec) %
Parcels	**15 4**	15 1	2 0%
Mail	**10 0**	6 4	56 3%
Specialist Services	**1 3**	2 0	(35 0%)
Central Costs	**(12 2)**	(11 4)	(7 0%)
Operating profit before exceptional Items	**14 5**	12 1	19 8%
Exceptional administrative items	**-**	(1 7)	-
Operating profit after exceptional items	**14 5**	10 4	39 4%
Net finance costs	**(0 3)**	(0 6)	50 0%
Profit before taxation	**14 2**	9 8	44 9%

Profit before tax increased by 44 9% to £14 2m (2007 £9 8m)

Operating profit before exceptional items increased by 19 8% to £14 5m (2007 £12 1m) mainly due to the continued strong profit growth of UK Mail

Exceptional administrative items

Two exceptional administrative items have been reported during the year resulting in a nil net impact for the year

	£m
Operations restructure	0 7
FedEx termination costs - release of provision	(0 7)
	-

Operations restructure

During the year, a number of structural changes were made to operations, designed to both integrate the different parts of the Group more, and to improve the network infrastructure This has resulted in a number of structural changes in operational and sales management, and the establishment of specialist customer care centres The anticipated redundancy costs of £0 7m have been provided for in these financial statements

FedEx termination costs

Following the cessation of the contract to act as FedEx's global service participant in the UK from 30 April 2007, anticipated exit costs of £1 3m were provided for at 31 March 2007, including one-off redundancy and management restructuring costs, vehicle livery removal, uniform replacement and legal expenses

A surplus provision of £0 7m has been released, following a number of successful management initiatives to reduce the cost of relivery of the vehicle fleet, during the year ended 31 March 2008

Net finance costs

Net finance costs payable decreased to £0 3m (2007 £0 6m), the result of both improved cash balances and the continued focus on cash management

Return on average capital employed

	2008 £m	2007 £m
Total equity	**54 0**	53 5
Total debt	**10 2**	11 9
Capital employed	**64 2**	65 4
Average capital employed	**64 8**	64 6
Profit after tax	**9 7**	6 9
Return on average capital employed	**15 0%**	10 7%

The improvement in profitability was reflected in the return on average capital employed which improved from 10 7% to 15%

Earnings per share

Basic earnings per share increased 40 6% to 18 0p from 12 8p last year

The average number of shares used in calculating the earnings per share in the year was 54,068,346 compared to 54,150,544 last year

Taxation

The tax charge for 2008 was £4 5m (2007 £2 9m) which reflects an effective rate of 31 7% (2007 29 6%) The increase reflects higher disallowable expenses

Dividend

The Board proposes a Final Dividend of 10 8p (2007 10 8p), resulting in an unchanged total dividend for the year of 17 2p (2007 17 2p) The total dividend for the year is covered 1 04 times by earnings The Final Dividend will be paid on 25 July 2008 to shareholders registered on 27 June 2008 with an ex-dividend date of 25 June 2008

Cash flow

	2008 £m	2007 £m
Cash from operations	**25 7**	28 2
Tax paid	**(3 9)**	(1 4)
Capital expenditure	**(5 6)**	(9 6)
Net finance costs	**(0 3)**	(0 6)
Free cash flow	**15 9**	16 6
Dividends	**(9 3)**	(9 3)
Other movements	**(2 2)**	5 1
Increase in cash	**4 4**	12 4

Business Review
Financial Overview

The Group had a net cash inflow of £4 4m (2007 £12 4m) in the period, leading to a net cash position at the end of the year of £16 4m (2007 £12 0m) Cash generated from operations totalled £25 7m (2007 £28 2m), including £4 0m of cash released from working capital (2007 £9 2m) Capital expenditure for the period was £5 6m (2007 £9 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 Group to receive payments from its debtors

	2008	2007
Average debtor days	**43 5**	48 8

Balance sheet

	2008 £m	2007 £m
Total assets	**125 3**	117 5
Total liabilities	**(71 3)**	(64 0)
Net assets	**54 0**	53 5
Net cash	**6 2**	0 1

Net assets

Net assets increased by £0 5m to £54 0m, as the retained profit together with cash generated from working capital was used to pay the dividend and buy shares for the ESOT

The increase in total assets is principally due to the increased cash balance and increased receivables, the result of the growth seen in revenues The increase in total liabilities is largely due to increased trade payables again reflecting the growth of the business

Net cash

At 31 March 2008 the Group held net cash of £6 2m (2007 £0 1m), resulting from continued improvements in working capital management and reduced capital expenditure

The Group was ungeared at both 31 March 2008 and 31 March 2007

Performance measures

A number of performance measures are used to compare 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

- Operating profit
- Operating profit margin
- Return on average capital employed
- Earnings per share (EPS)
- Cash generated from operations
- 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

Indicators of future Group performance closely monitored by management include

- New business generation
- Customer retention levels
- Network capacity utilisation

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 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 strong levels of operating cash flow and low indebtedness mean that it is not significantly exposed to liquidity risk

The Group's exposure to any significant interest risk is hedged by means of an interest rate cap

Primary risks and uncertainties facing the business

The Group has an established risk management monitoring and review process described in the Corporate Governance Report on pages 17 to 20

The process requires management of the business to identify, evaluate and monitor risks and take steps to reduce eliminate or manage those risks The risk management plan is reviewed by 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

Critical accounting policies

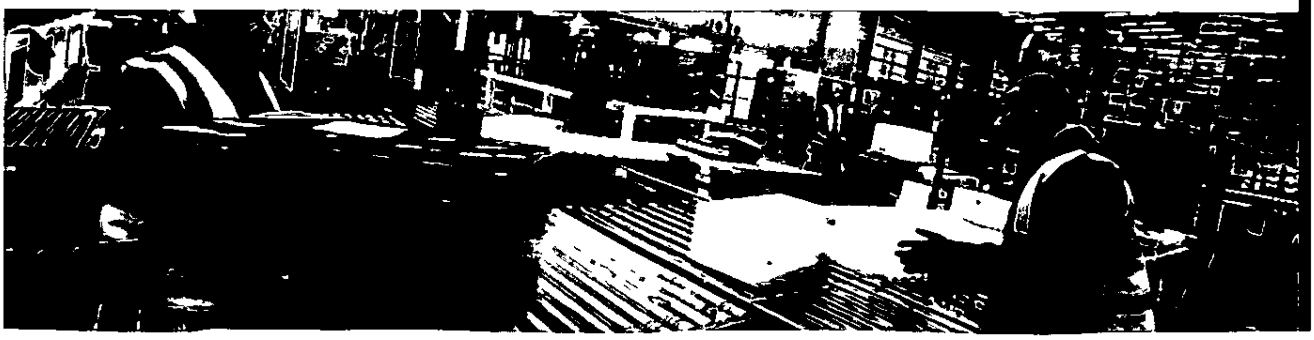
The Group accounts are prepared using accounting policies in accordance with IFRS, as adopted by the European Union, and IFRIC interpretations which are effective as at 31 March 2008 The principal accounting policies are set out in note 1 to these financial statements

The preparation of these accounts require 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 and Advisers

Peter Kane (61) Chairman

Founded the Company and, with his brother Michael Kane, 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 (46) 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 He became Managing Director of UK Mail on 1 July 2002 and Chief Executive on 5 December 2005

Steven Glew (51) 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 Booker plc, Crown Sports plc and Mothercare plc

Alec Ross (52) 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

Bill Cockburn CBE, TD (65) 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 and advises on mail matters

Philip Stephens (65) Independent Non-Executive Director

Was appointed a non-executive director on 1 April 2004 He is non-executive Chairman of Oakdene Homes and Egdon Resources and a non-executive director of Foresight 4 VCT Until his retirement in 2002 he was involved in corporate finance and broking for more than 35 years

Dennis Clark (64) Non-Executive Director and Senior Independent Director

Was the Finance Director of Hunting from 1989 until his retirement in April 2008 He was appointed to the Board on 1 October 1998

Michael Kane (58) 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 He acted as Chief Operating Officer from July 2000 until resuming his non-executive role on 1 April 2001

Stockbrokers and Financial Advisers	Dresdner Kleinwort 30 Gresham Street London EC2P 2XY
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 Road Lancing Business 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 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 five non-executive directors, Philip Stephens is judged to be independent according to the guidelines set out in the Combined Code 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 has, as from 1 October 2007, served on the Board for more than nine years 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 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 has however decided to retire from the Board and will not put himself forward for re-election at the forthcoming Annual General Meeting Michael and Peter Kane are not judged to be independent due to their significant shareholdings, and Bill Cockburn is not judged to be independent due to his consultancy contract with UK Mail 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

All directors are required by the Company's Articles of Association to submit themselves for re-election at least every three years The names of those directors standing for 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 AGM and the Board strongly supports their re-election for the reasons set out in the Directors' Report

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 nine 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 and their principal terms of reference are set out in the table below

Business Post Group plc
Board of directors

Audit Committee
Dennis Clark (Chairman),
Peter Kane, Philip Stephens

Assists the Board in fulfilling its responsibilities in respect of

overseeing the Group's financial statements,

monitoring the adequacy of internal controls and risk management processes,

the selection, compensation, independence and performance of the Group's external auditors,

the independence and performance of the Group's internal auditor

Nomination Committee
Peter Kane (Chairman),
Dennis Clark, Bill Cockburn,
Philip Stephens

Leads the process for, and recommends to the Board all appointments to the Board

Reviews succession planning for the Board

Remuneration Committee
Philip Stephens (Chairman),
Peter Kane, Dennis Clark

Sets remuneration for all executive directors, including share-based incentives, pensions and other benefits

Monitors the level and structure of remuneration for the first layer of management below Board level

Approves initial grants and subsequent exercise of all share-based incentives

Corporate Governance

Peter Kane is a member of the Nomination, Remuneration and Audit committees, 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 an invaluable knowledge and experience to their operation

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	9	3	3	1
Guy Buswell	9	3*	3*	
Dennis Clark	8	3	3	1
Bill Cockburn	9	3*	3*	1
Steven Glew	8	3*		
Michael Kane	8			
Peter Kane	9	3	3	1
Alec Ross	9			
Philip Stephens	9	3	3	1

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

The Nomination committee met once during the year to consider the appointment of a non-executive director to replace Dennis Clark, and have agreed the principal job description as well as the appointment of independent recruitment consultants

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

Corporate Governance

This year's Annual General Meeting will be held on 9 July 2008 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 In accordance with company law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the Company and 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 judgments and estimates that are reasonable and prudent
- State that the financial statements comply with IFRSs 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 and the directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, article 4 of the IAS Regulation 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

The directors are responsible for the maintenance and integrity of the Group web site, www businesspost biz Legislation in the UK 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 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 who is satisfied with the level of effectiveness of the internal control system

Corporate Governance

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

Audit committee and auditors

The membership and principal terms of reference of the Audit committee are set out above The Committee is chaired by Dennis Clark who, as a qualified accountant and until April 2008 the Finance Director of Hunting plc, is considered to have recent and relevant financial experience

During the year, the Committee met three times to discharge its responsibilities These responsibilities included

- 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 Company's internal controls, by considering reports from both the internal and external auditors during the year and an annual report on the effectiveness of internal controls from the Chief Executive and Finance Director,
- monitoring the scope and effectiveness of the internal auditor, by considering work plans, reports throughout the year and attendance at Audit committee meetings,
- monitoring the independence, objectivity and effectiveness of the external auditors, by considering the quality of people and service the robustness of the audit and the quality of delivery, and approving their terms of engagement and remuneration,
- 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

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

Corporate Social Responsibility

Corporate social responsibility

The Board recognises its environmental and employment responsibilities and continues to devote significant resources towards improving standards

Environmental

The Group recognises that it has a responsibility to reduce its impact on the environment Responsibility for communicating the Group's environmental policy and monitoring compliance rests with the Group Operations Director aided by the Group Fleet Engineer, Head of HR and national Health and Safety Manager

Business Post is acutely aware of the impact that transport operations have on the environment and the Company is committed to reducing this impact The key objective is to establish a balance between cost effective solutions and changes which result in tangible benefits Business Post is very keen to introduce initiatives aimed at reducing the effect on the environment One of the initiatives Business Post has taken on board is the trialling of a fully electric vehicle (Modec), for deliveries in the London area The electric vehicle is emissions free and in the event of the trial being successful will be the first such vehicle to be used in the Business Post operation

The sloping front double decker trailer, designed in conjunction with the Group's trailer supplier, Don-Bur Bodies and Trailers, has dramatically reduced the fuel consumption of the towing vehicle, thus reducing CO_2 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 CO_2 is significant Based on current route mileages the reduction in CO_2 emissions is around 1,699 tonnes per annum The work on this design has already resulted in two awards, from Green Fleet and EAST

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 not only on the life of the tyre but also the vehicle's fuel consumption, which in turn has an effect on the CO_2 emissions of that vehicle The use of route planning software also enables the Company to reduce fuel usage by optimising journey miles and has resulted in a reduction of CO_2 emissions of 176 tonnes for the year Business Post has also adopted a new company car policy whereby all company cars will have a CO_2 emissions range of below 165g/km

The Company has also recently appointed a Fuel and Energy Manager to review and monitor fuel and energy consumption throughout the Group as well as implement relevant reduction initiatives One of the areas the Fuel and Energy Manager will focus on is the monitoring of mpg to ensure vehicles remain fuel efficient A new driver training package has also been developed to assist drivers in driving vehicles in a fuel efficient manner as well as enhance Health and Safety standards A further initiative that has been investigated this year is the review and where practicable the replacement of diesel fork lift trucks with electric fork lift trucks The Company has also appointed the Carbon Trust to complete an energy survey and the Fuel and Energy Manager will be working closely with the Carbon Trust in implementing the relevant initiatives and monitoring and reviewing each site's energy consumption

Waste management has received renewed focus and recycling bins have been installed at all sites and a target has been set to reduce our landfill over the next year Employees are also encouraged to recycle office waste which has resulted in an increase of paper being recycled Further recycling initiatives will be implemented in office areas in the forthcoming year, which will include designated bins for recycling of plastic and aluminium All photocopier paper used throughout the Group comprises 80% recycled paper

Business Post aspires to achieving ISO 14001 accreditation for all its sites and has commenced the process to achieve this

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 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 and 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 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 Re-elections took place in April 2007 increasing the number of site-based representatives to almost 100, with eight regional and one national representative A new Chairperson was elected by employee representatives in October 2007 and will stay in term for a period of three years An employee survey has been conducted and a further survey will be carried out in 2008 The survey results continue to provide invaluable feedback on issues affecting our employees 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 five years Resource has been invested in the HR Department, and the HR Shared Services Centre has been developed to support all remuneration and benefits activities across the Group The Group continues to coach and train managers in a wide variety of skill areas including Dispute Resolution, Performance Management, Accident Investigation Supervisory Skills and the introduction of a new Corporate Induction Programme called 'Best Welcome'

Corporate Social Responsibility

The Group has recruited a dedicated Learning and Development Manager and the function has been restructured to increase its visibility as well as further supporting the needs of the business This was recently recognised through the successful re-accreditation of Investors in People in January 2008 as well as winning the National Training Award The Group has adopted both the HCI and Childcare Voucher Schemes 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 The Group continues to ensure that 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 has also signed up to Global Compact, a United Nations initiative, based on ten principles related to conditions of labour, protection of basic human rights, business ethics and the protection of the environment As a business we are totally committed to supporting the principles of Global Compact and proud to be associated with it and what it represents

Charitable support

Cancer Research UK is the chosen charity partner for Business Post Group, its employees and its franchisees The Group donates one penny 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 £62,730

Business Post staff across the whole company also rose to the challenge during the last year and raised over £24,450 for Cancer Research UK with a wide variety of events, including sponsored walks, raffles, charity auctions, cycle rides and parachuting

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 and Peter Kane 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 other than in respect of their own remuneration

In addition, the Remuneration Committee sought advice from external remuneration consultants, Hewitt New Bridge Street Consultants LLP

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

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 base salaries at 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

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 has been increased to 100% of annual salary in the year, previously the maximum was 50% of salary The Committee wishes to incentivise and reward significant out-performance of budgeted performance and accordingly the increased maximum bonus reflects substantially higher targets having been set for the achievement of this bonus level The bonus payments for the year reflect the partial achievement of the targets set for the year

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 Long Term Incentive Plan ("LTIP") is a key link between executives' remuneration and the long-term success and performance of the Group The maximum potential annual award of shares to an executive is 100% of salary (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 performance conditions for LTIP awards to be granted in 2008/09 are as follows

- 40% of the awards will be determined by EPS growth over a three year performance period 25% will vest for growth of 15% p a over the three-year period (2008-2011), with full vesting for growth of 20% p a over the three-year period
- 60% of the awards will be determined by Total Shareholder Return ("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 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 except that, in addition to his director's and consultancy fees, Bill Cockburn has a long-term incentive arrangement whereby he is entitled to receive bonuses if the profit of UK Mail exceeded specified targets within a four year period of the commencement of trading, which was on 10 May 2004

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

Executive Director	*Contract date*	*Unexpired term from 31 March 2008*	*Contractual termination payment**
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

Non-Executive Director	*Contract date*	*Unexpired term from 31 March 2008*
Dennis Clark	01 10 07	4 months
Bill Cockburn	31 03 07	24 months
Michael Kane	01 10 01	indefinite
Peter Kane	01 10 01	indefinite
Philip Stephens	31 03 07	12 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 1 April 2003 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

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	2008 Total £000	2007 Total £000	2008 Pension Cont's £000	2007 Pension Cont's £000
Guy Buswell	310	13	16	339	344	46	41
Dennis Clark	30	-	-	30	30	-	-
Bill Cockburn*	58	-	-	58	100	-	-
Steven Glew	220	14	11	245	199	27	25
Michael Kane**	26	2	-	28	31	-	-
Peter Kane	68	1	-	69	67	-	-
Alec Ross	180	12	9	201	217	23	21
Phillip Stephens	30	-	-	30	30	-	-

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

* Included in Bill Cockburn's remuneration are fees of £44,000 as a non-executive director and payments of £14,202 in respect of consultancy provided to the Group The Company has a separate long term incentive agreement with Bill Cockburn in relation to his consultancy services Under this, Mr Cockburn will be entitled to receive bonuses if the profit of UK Mail exceeds specified targets within a four year period of the commencement of trading As detailed in note 24, Mr Cockburn is entitled to the maximum 100% payout of £400,000, £209,256 of which has been accrued this financial year

** Included in Michael Kane's remuneration are fees of £25,500 as a non-executive director and payments of £608 in respect of consultancy on operational matters Michael Kane's remuneration was paid to his company, Beaufield Entertainment Ltd, 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 2007	Exercised in year	Lapsed in year	Number at 31 March 2008
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 2007	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2008
Guy Buswell								
29 06 04	01 08 07	01 02 08	398p	2,368	-	-	2 368	-
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 285p and the range of prices during the year was between 231p and 514p

Interests in shares

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

	31 March 2008 Ordinary Shares of 10p	1 April 2007 Ordinary Shares of 10p
Guy Buswell	**83,196**	19,917
Dennis Clark	**3,500**	3,500
Bill Cockburn	**17,004**	12,004
Steven Glew	**32,929**	15,000
Michael Kane	**7,010,019**	7,010,019
Peter Kane	**6,672,967**	18,233,801
Alec Ross	**27,111**	14,714
Philip Stephens	**15,000**	10,000

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 2008

In March 2008 Peter Kane transferred his personal holding in the Company, which amounted to 11,560,834 ordinary shares (21 2%) to his son John Kane

This transfer was the result of a re-organisation of holdings within the Kane family This transfer does not change the long term structure of the Kane family shareholding

The total holding in the Company of the Kane family remains unchanged at 58 4%

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 2007	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2008
Guy Buswell							
16 11 04	545p	31 03 07	16,063	-	-	16,063	-
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
			95,839	66,955	-	16,063	146,731
Steven Glew							
17 07 06	437p	31 03 09	44,622	-	-	-	44,622
04 06 07	463p	31 03 10	-	47,516	-	-	47,516
			44,622	47 516	-	-	92,138
Alec Ross							
16 11 04	545p	31 03 07	10,372	-	-	10 372	-
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
			70 415	38,877	-	10,372	98,920

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

Vesting of awards granted in 2004 and 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 2004 award, following failure of the EPS condition for the year ended 31 March 2007

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 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

The average price of the Company's shares on the five dealing days prior to 4 June 2007, used to determine the number of shares granted, was 463p

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 2008, 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 2007	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2008
Guy Buswell						
16 11 04	16 11 07	870	-	-	870	-
15 11 06	15 11 09	2,000	-	-	-	2 000
04 06 07	04 06 10	-	34,325	-	-	34,325
		2,870	34,325	-	870	36,325
Steven Glew						
04 06 10	04 06 10	-	7,929	-	-	7,929
Alec Ross						
16 11 04	16 11 07	870	-	-	870	-
04 06 07	04 06 10	-	5,663	-	-	5,663
		870	5,663	-	870	5,663

One-third of these awards 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

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

One-off long term incentive award

Directors' interest 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 2007	Granted in year	Exercised in year	Lapsed in year	Number at 31 March 2008
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 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

The 2007 budget figure to be used as the base figure for these awards was adjusted downwards by the Committee to take account of the loss of the FedEx contract The Committee felt this adjustment was necessary because this contract loss was outside of management control, and that the adjustment was acceptable because the EPS targets required in 2009 for vesting under this scheme still remain more demanding than those for the normal LTIP scheme

Philip Stephens
On behalf of the Board
20 May 2008

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2008

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 Ltd Business Post Ltd, BXT Limited and UK Pallets Ltd 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, Chief Executive's Review, Financial Review and Corporate Social Responsibility statement, which are incorporated in this report by reference

Results and dividend

The profit for the financial year of £9 7 million is reported in the Consolidated Income Statement A final dividend of 10 8p per share in respect of the year ended 31 March 2007 was paid on 27 July 2007 An unchanged interim dividend of 6 4p per share in respect of the year ended 31 March 2008 was paid on 16 January 2008 and the directors recommend a final dividend of 10 8p per share, payable on 25 July 2008 to shareholders on the register on 27 June 2008

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 £62,730 to Cancer Research UK (2007 £68,178) The Group made no political donations

Directors

Details of the current directors are shown in the Directors and Advisers statement together with their biographical details and dates of appointment

In accordance with the Articles of Association, Michael Kane, Bill Cockburn and Steven Glew retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election Details of their terms of appointment can be found in the Remuneration Report The Board strongly supports their re-election and recommends that shareholders vote in favour Michael Kane and Bill Cockburn are both non-executive directors Bill Cockburn, having been on Boards of large organisations including The Post Office, WH Smith and BT, and a non-executive director of a number of other companies, brings substantial experience of corporate and staff management which is of considerable assistance to the Company In his role as Deputy Chairman, he provides advice, counsel and support to the Chief Executive, and his knowledge of Royal Mail and operating in a regulated environment at BT has proved of considerable benefit in the development of UK Mail

Michael Kane joined his brother Peter Kane, who founded the company, in 1974 and, for over 20 years, assisted in its day to day running, including as Managing Director and Chief Executive His detailed understanding of the business provides valuable insight during Board discussions and enables a detailed assessment of the Company performance

The Chairman has undertaken an evaluation of the non-executive directors submitting themselves for re-election and confirms that their performance continues to be effective and that they commit sufficient time to the fulfilment of their duties as directors and committee members, 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 2008 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 2008 can be found in note 23

Substantial shareholders

In addition to the interests of Peter Kane (12 2%) and Michael Kane (12 8%), as at 20 May 2008 the Company had been notified of the following notifiable interests in its issued share capital

	No of shares	
Mr John Kane	15,014,167	(27 5%)
M & G Investment Management	4,891,222	(8 9%)
Ms Joanna Bailey	3,333,333	(6 1%)
Schroders plc	2,474,915	(4 5%)
FMR/Fidelity International Limited	2,017,351	(3 7%)

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 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 2008, the Group had an average of 32 4 days (2007 28 4 days) purchases outstanding in trade creditors

Going concern

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 the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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 9 July 2008 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

Resolutions 8 to 10 - allotments and market purchases of shares

Resolution 8 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 1,761,041 (3 2%) 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 13,564,722 ordinary shares, representing 24 8% 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 2009

In addition, Resolution 9 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 2009 or 9 October 2009 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 9 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 10 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 2009 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 10, 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 10 is proposed as a special resolution and will expire on the earlier of the 9 October 2009 and the Annual General Meeting to be held in 2009 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

Directors' Report

Resolutions 8 to 10 are replacement authorities for existing authorities taken at the Annual General Meeting held on 10 July 2007

Resolution 11 - amendments to the company's articles of association

Resolution 11 to be proposed at the forthcoming Annual General Meeting requests shareholder approval in relation to amendments to articles of association ("Articles") in order to update the Company's Articles to take account of the changes to be brought about by the Companies Act 2006 in relation to directors' duties and conflicts of interests

Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty The amendments proposed to the Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate

It is also proposed that the amendments to the Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors

Steven Glew
Company Secretary
20 May 2008

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 2008 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

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 2006 FRC Combined Code 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 Chairman's Statement, the Highlights, the Business Review, the Financial Overview the Directors and Advisers Statement, the Corporate Governance statement, the Corporate Social Responsibility statement, the unaudited part of the Remuneration Report, the Directors' Report, the Five Year Summary of Results and 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 2008 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 2008 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 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 2008

Consolidated Income Statement

for the year ended 31 March 2008

	Notes	2008 £m	2007 £m
Revenue	2	**358 6**	325 6
Cost of sales		**(306 6)**	(275 6)
Gross profit		**52 0**	50 0
Administrative expenses		**(37 5)**	(39 6)
Operating profit before exceptional items		**14 5**	12 1
Exceptional administrative items	3	**-**	(1 7)
Operating profit	5	**14 5**	10 4
Finance costs	4	**(0 7)**	(0 7)
Finance income	4	**0 4**	0 1
Profit before taxation		**14 2**	9 8
Taxation	7	**(4 5)**	(2 9)
Profit for the year		**9 7**	6 9
Basic earnings per share	9	**18 0p**	12 8p
Diluted earnings per share	9	**17 5p**	12 6p

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 2008

	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill	10	**9 5**	9 5
Intangible assets	11	**1 2**	1 2
Investment properties	12	**1 0**	1 1
Property plant and equipment	13	**36 9**	37 3
Deferred tax assets	21	**0 5**	-
		49 1	49 1
Current assets			
Inventories	16	**0 3**	0 2
Trade and other receivables	17	**59 5**	56 2
Cash and cash equivalents	18	**16 4**	12 0
		76 2	68 4
LIABILITIES			
Current liabilities			
Borrowings	20	**(1 7)**	(1 7)
Trade and other payables	19	**(56 4)**	(48 8)
Current tax liabilities		**(2 1)**	(1 4)
Provisions	22	**(1 2)**	(0 6)
		(61 4)	(52 5)
Net current assets		**14 8**	15 9
Non-current liabilities			
Borrowings	20	**(8 5)**	(10 2)
Deferred tax liabilities	21	**(1 0)**	(0 5)
Provisions	22	**(0 4)**	(0 8)
		(9 9)	(11 5)
Net assets		**54 0**	53 5
Shareholders' equity			
Ordinary shares	23	**5 5**	5 5
Share premium		**16 6**	16 2
Retained earnings		**31 9**	31 8
Total shareholders' equity		**54 0**	53 5

The financial statements on pages 34 to 64 were approved by the Board of Directors on 20 May 2008 and were signed on its behalf by

Peter Kane
Chairman

Steven Glew
Finance Director

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

Company Balance Sheet
as at 31 March 2008

	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Investment in subsidiaries	15	**15 7**	14 5
		15 7	14 5
Current assets			
Trade and other receivables	17	**72 2**	51 4
Current tax assets		**0 6**	0 5
Cash and cash equivalents	18	**0 2**	8 0
		73 0	59 9
LIABILITIES			
Current liabilities			
Borrowings	20	**(1 0)**	(1 0)
Trade and other payables	19	**(50 6)**	(26 3)
		(51 6)	(27 3)
Net current assets		**21 4**	32 6
Non-current liabilities			
Borrowings	20	**(5 0)**	(6 0)
Net assets		**32 1**	41 1
Shareholders' equity			
Ordinary shares	23	**5 5**	5 5
Share premium		**16 6**	16 2
Retained earnings		**10 0**	19 4
Total shareholders' equity		**32 1**	41 1

The financial statements on pages 34 to 64 were approved by the Board of Directors on 20 May 2008 and were signed on its behalf by

Peter Kane
Chairman

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 2008

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£m**	£m	**£m**	£m
Operating activities					
Cash generated from operations	25	**25 7**	28 2	**3 3**	22 3
Finance income received		**0 4**	0 1	**0 3**	-
Finance costs paid		**(0 7)**	(0 7)	**(0 4)**	(0 4)
Taxation paid		**(3 9)**	(1 4)	**-**	-
Net cash inflow from operating activities		**21 5**	26 2	**3 2**	21 9
Investing activities					
Proceeds from disposal of property, plant and equipment		**0 2**	2 3	**-**	-
Purchase of property, plant and equipment		**(5 0)**	(8 6)	**-**	-
Purchase of intangible assets	11	**(0 6)**	(1 0)	**-**	-
Net cash outflow from investing activities		**(5 4)**	(7 3)	**-**	-
Financing activities					
Dividends paid to shareholders		**(9 3)**	(9 3)	**(9 3)**	(9 3)
Proceeds from re-financing under finance leases		**-**	3 9	**-**	-
Repayment of finance lease liabilities		**(0 7)**	(0 3)	**-**	-
Net proceeds from issue of ordinary share capital		**0 3**	0 2	**0 3**	0 2
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 7)**	(6 5)	**(11 0)**	(10 1)
Net increase/(decrease) in cash and cash equivalents	30	**4 4**	12 4	**(7 8)**	11 8
Cash and cash equivalents at the beginning of the year	30	**12 0**	(0 4)	**8 0**	(3 8)
Cash and cash equivalents at the end of the year	30	**16 4**	12 0	**0 2**	8 0

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 2008

Group	Notes	Ordinary shares £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance as at 1 April 2006		5 5	14 6	34 5	**54 6**
Dividends paid to shareholders	8	-	-	(9 3)	**(9 3)**
Employees' share option scheme					
- value of employee services		-	-	1 0	**1 0**
- proceeds from shares issued		-	0 2	-	**0 2**
- exercise of share options		-	1 4	(1 4)	**-**
Tax on items taken directly to equity		-	-	0 1	**0 1**
Profit for the year		-	-	6 9	**6 9**
Balance as at 31 March 2007		**5 5**	**16 2**	**31 8**	**53 5**
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**

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 2008

Company	Notes	Ordinary shares £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance as at 1 April 2006		5 5	14 6	27 7	**47 8**
Dividends paid to shareholders	8	-	-	(9 3)	**(9 3)**
Employees' share option scheme					
- proceeds from shares issued		-	0 2	-	**0 2**
- increase in investment in subsidiaries		-	-	2 8	**2 8**
- exercise of share options		-	1 4	(1 4)	-
Loss for the year		-	-	(0 4)	**(0 4)**
Balance as at 31 March 2007		**5 5**	**16 2**	**19 4**	**41 1**
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**

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 2008

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 2008 The following Standards, Interpretations and Amendments, which became effective for and were adopted during the year ended 31 March 2008 had no material impact on the Group's results or financial position

	Effective date
IFRS 7 'Financial Instruments Disclosures', and the complementary amendment to IAS 1 'Presentation of Financial Statements - Capital Disclosures'	1 January 2007
IFRIC 8 'Scope of IFRS 2'	1 May 2006
IFRIC 9 'Re-assessment of Embedded Derivatives'	1 June 2006
IFRIC 10 'Interim Financial Reporting and Impairment'	1 November 2006
IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'	1 March 2007

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 2008 Application of these is not expected to result in a material change to the reported Group's results or financial position

IFRS 3 (Revised) 'Business Combinations'	1 July 2009
IFRS 8 'Operating Segments'	1 January 2009
IAS 23 (Revised) 'Borrowing Costs'	1 January 2009
IFRIC 12 'Service Concession Arrangements'	1 January 2008
IFRIC 13 'Customer Loyalty Programmes'	1 July 2008
IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008

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 2008 Advantage has been taken of Section 230 of the Companies Act 1985 not to include the Company's own profit and loss account The loss of the Company for the year was £0 3m (2007 £0 4m)

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

The carrying value of goodwill is cost less accumulated impairment losses Goodwill is allocated to cash-generating units for the purpose of impairment testing The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose

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

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 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 being three years

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 calculated over the estimated useful economic life of the asset as follows

Freehold buildings	fifty years on a straight line basis
Short leasehold improvements	the period of the lease on a straight line basis
Motor vehicles, plant and equipment	10% to 33% annually on a straight line basis
Computer equipment	14% to 33% annually on a straight line basis

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

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

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

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

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, and bad debts

Taxation

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

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

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

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

Pension costs

The 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

Notes to the Financial Statements

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

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

Interest rate cap 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 2008 are as follows

	Parcel Services £m	**Mail Services £m**	**Specialist Services £m**	**Other £m**	**Eliminations £m**	**Group £m**
Revenue	**179 8**	**137 3**	**41 5**	**-**	**-**	**358 6**
Operating profit/(loss) before exceptional items	**15 4**	**10 0**	**1 3**	**(12 2)**	**-**	**14 5**
Exceptional items - administrative expenses	**-**	**-**	**-**	**-**	**-**	**-**
Operating profit/(loss)	**15 4**	**10 0**	**1 3**	**(12 2)**	**-**	**14 5**
Finance costs						**(0 7)**
Finance income						**0 4**
Profit before taxation						**14 2**
Taxation						**(4 5)**
Net profit attributable to equity shareholders						**9 7**
Segment assets	**59 7**	**49 6**	**7 1**	**40 1**	**(31 2)**	**125 3**
Segment liabilities	**(27 9)**	**(36 0)**	**(25 0)**	**(13 6)**	**31 2**	**(71 3)**
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 - owned assets (note 13)	**1 9**	**0 9**	**0 2**	**2 3**	**-**	**5 3**
Amortisation of intangible assets (note 11)	**-**	**0 3**	**0 1**	**0 2**	**-**	**0 6**
Impairment of trade receivables	**0 5**	**0 1**	**0 1**	**-**	**-**	**0 7**

The business segment results for the year ended 31 March 2007 are as follows

	Parcel Services £m	Mail Services £m	Specialist Services £m	Other £m	Eliminations £m	Group £m
Revenue	193 8	90 3	41 5	-	-	325 6
Operating profit/(loss) before exceptional items	15 1	6 4	2 0	(11 4)	-	12 1
Exceptional items - administrative expenses	(1 7)	-	-	-	-	(1 7)
Operating profit/(loss)	13 4	6 4	2 0	(11 4)	-	10 4
Finance costs						(0 7)
Finance income						0 1
Profit before taxation						9 8
Taxation						(2 9)
Net profit attributable to equity shareholders						6 9
Segment assets	61 4	31 9	8 1	50 3	(34 2)	117 5
Segment liabilities	(37 7)	(25 3)	(17 5)	(17 7)	34 2	(64 0)
Other segment items						
Capital expenditure						
- Property, plant and equipment (note 13)	2 4	4 2	0 1	2 1	-	8 8
- Intangible assets (note 11)	-	0 8	-	0 2	-	1 0
Depreciation - investment properties (note 12)	-	-	-	-	-	-
Depreciation - owned assets (note 13)	2 2	0 5	0 4	2 5	-	5 6
Amortisation of intangible assets (note 11)	-	0 3	-	0 2	-	0 5
Impairment of trade receivables	0 6	0 1	0 4	-	-	1 1
Impairment of franchise receivables	2 3	-	-	-	-	2 3

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

	2008	2007
	£m	£m
Operations restructure	**0 7**	-
FedEx termination costs - release of provision	**(0 7)**	1 3
Provision against prior years franchise balances	-	1 5
Profit on sale of freehold property	-	(1 1)
Exceptional items	**-**	1 7

Operations restructure

During the year, a number of structural changes were made to operations, designed to both integrate the different parts of the Group more, and to improve the network infrastructure This has resulted in a number of structural changes in operational and sales management, and the establishment of specialist customer care centres The anticipated redundancy costs of £0 7m have been provided for in these financial statements

FedEx termination costs

Following the cessation of the contract to act as FedEx's global service participant in the UK from 30 April 2007, anticipated exit costs of £1 3m were provided for at 31 March 2007, including one-off redundancy and management restructuring costs, vehicle livery removal, uniform replacement and legal expenses

A surplus provision of £0 7m has been released, following a number of successful management initiatives to reduce the cost of relivery of the vehicle fleet, during the year ended 31 March 2008

Provision against franchise-related balances

During the year ended 31 March 2006 a £3 2m provision was made against the outstanding franchise debt Recoverability of the amounts due from franchises particularly those poorly performing franchises brought back into Corporate ownership, had been less than anticipated resulting in the need to provide a further £1 5m against that debt, during the year ended 31 March 2007

Sale of freehold property

The sale of the Bristol freehold property on 16 February 2007 generated proceeds of £2 2m before taxes, realising a net profit of £1 1m on disposal

4 Finance costs - net

	2008	2007
	£m	£m
Interest payable on		
Term loan	**(0 4)**	(0 4)
Bank overdraft	-	(0 2)
Finance leases	**(0 3)**	(0 1)
Finance costs	**(0 7)**	(0 7)
Interest receivable on		
Bank balances	**0 4**	0 1
Finance income	**0 4**	0 1
Finance costs - net	**(0 3)**	(0 6)

5 Operating profit

	2008	2007
	£m	£m
The following items have been charged/(credited) in arriving at operating profit		
Employee benefits expense (note 6)	**65 3**	63 3
Cost of inventories recognised (included in cost of sales)	**10 7**	9 3
Profit on sale of property, plant and equipment	-	(1 2)
Depreciation of investment properties (note 12)	**0 1**	-
Depreciation of owned property, plant and equipment (note 13)	**5 3**	5 6
Amortisation of intangibles (included in administrative expenses) (note 11)	**0 6**	0 5
Operating lease rentals payable		
- Plant and machinery	**9 3**	8 8
- Property	**4 8**	4 7
Repairs and maintenance expenditure on property, plant and equipment	**3 4**	2 9
Other operating lease rentals receivable		
- Plant and machinery	**(0 5)**	(0 5)
- Property	**(0 4)**	(0 6)
Trade receivables impairment (included in administrative expenses)	**0 7**	1 1
(Reversal of impairment)/impairment of franchise receivables (included in administrative expenses)	**(0 1)**	2 3

Notes to the Financial Statements

Services provided by the Company's auditor

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

	2008 £000	2007 £000
Fees payable to the Company's auditor for the audit of the parent company and consolidated Financial Statements	**120**	116
Fees payable to the Company's auditor and its associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	**58**	63
- Other services pursuant to legislation	**20**	29
- Tax services	**50**	52
	248	260

6 **Employees and directors**

Employee benefit expense for the Group during the year

	2008 £m	2007 £m
Wages and salaries	**57 8**	56 3
Social security costs	**5 4**	5 2
Other pension costs*	**0 8**	0 8
Share-based payments	**1 3**	1 0
	65 3	63 3

*Other pension costs all relate to defined contribution schemes

Average monthly number of people (including executive directors) employed

	2008 Number	2007 Number
By business group		
Parcel services	**2,303**	2,270
Mail services	**141**	117
Specialist services	**380**	366
Central	**161**	144
	2,985	2,897

The average number of persons employed by the Company was Nil (2007 Nil)

Key management compensation

	2008 £000	2007 £000
Salaries and short-term employee benefits	**1,555**	1,055
Post-employment benefits	**117**	92
Termination benefits	**-**	156
Share-based payments	**934**	327
	2,606	1,630

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

Notes to the Financial Statements

Directors remuneration

	2008	2007
	£000	£000
Aggregate emoluments	**1,000**	1,211
Aggregate gains made on the exercise of share options	**-**	14
Company contributions to money purchase pension schemes*	**96**	92
	1,096	1,317

* Contributions were made in respect of three (2007 four) directors

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

7 **Taxation**

	2008	2007
	£m	£m
Analysis of charge in period		
Current tax - current year	**4 8**	3 7
Current tax - adjustment in respect of prior years	**(0 2)**	(0 2)
Deferred tax (note 21) - current year	**(0 2)**	(0 6)
Deferred tax (note 21) - adjustment in respect of prior years	**0 1**	-
Taxation	**4 5**	2 9

The deferred taxation credit incorporates the effect of the reduction in the corporation tax rate from 30% to 28% effective 1 April 2008

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

	2008	2007
	£m	£m
Profit on ordinary activities before tax	**14 2**	9 8
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2007 30%)	**4 3**	2 9
Effects of		
Expenses not deductible for tax purposes	**0 3**	0 2
Adjustment in respect of prior years	**(0 1)**	(0 2)
Total tax charge	**4 5**	2 9

Additionally, £0 1m of deferred tax has been debited (2007 £0 1m credited) directly to equity in respect of share options

8 **Dividends**

	2008	2007
Group and Company	**£m**	£m
Final 2007 paid 10 80p (2006 10 80p) per 10p share	**5 8**	5 8
Interim paid 6 40p (2007 6 40p) per 10p share	**3 5**	3 5

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2008 of 10 8p per share which will absorb an estimated £5 8 million of shareholders' funds It will be paid on 25 July 2008 to shareholders who are on the register of members on 27 June 2008

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	2008 Weighted average number of shares	Per share amount pence	Earnings £m	2007 Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**9 7**	**54,068,346**	**18 0**	6 9	54,150,544	12 8
Effect of dilutive shares						
Options	-	**51,552**	-	-	65,794	-
Long Term Incentive Plan	-	**1,360,229**	**(0 5)**	-	750,829	(0 2)
Diluted EPS	**9 7**	**55,480,127**	**17 5**	6 9	54,967 167	12 6
Basic EPS						
Earnings attributable to ordinary shareholders	**9 7**	**54,068,346**	**18 0**	6 9	54,150,544	12 8
Exceptional items	-	-	-	1 1	-	2 0
Adjusted EPS*	**9 7**	**54,068,346**	**18 0**	8 0	54,150,544	14 8
Effect of dilutive shares						
Options	-	**51,552**	-	-	65,794	-
Long Term Incentive Plan	-	**1,360,229**	**(0 5)**	-	750,829	(0 2)
Diluted Adjusted EPS*	**9 7**	**55,480,127**	**17 5**	8 0	54,967,167	14 6

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

10 Goodwill

Group	**2008 £m**	2007 £m
Cost		
At 1 April and 31 March	**9 5**	9 5
Aggregate impairment		
At 1 April and 31 March	-	-
Net book value		
At 1 April and 31 March	**9 5**	9 5

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,

	2008 £m	2007 £m
BXT Limited	**1 6**	1 6
UK Pallets Ltd	**7 9**	7 9
Net book value at 31 March	**9 5**	9 5

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 2009 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 7% to 8% range

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

Notes to the Financial Statements

11 Intangible assets

Group	Acquired software licences £m	Internal software developments £m	Total £m
Cost			
At 1 April	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	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**

Group	Acquired software licences £m	Internal software developments £m	Total £m
Cost			
At 1 April	1 9	-	1 9
Additions	1 0	-	1 0
At 31 March 2007	**2 9**	**-**	**2 9**
Aggregate amortisation			
At 1 April	1 2	-	1 2
Charge for the year	0 5	-	0 5
At 31 March 2007	**1 7**	**-**	**1 7**
Net book value at 31 March 2007	**1 2**	**-**	**1 2**

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

Computer software has a useful economic life of between 3 and 4 years

12 Investment properties

Group	2008 £m	2007 £m
Cost		
At 1 April and 31 March	**1 7**	1 7
Accumulated depreciation		
At 1 April	**0 6**	0 6
Charge for the year	**0 1**	-
At 31 March	**0 7**	0 6
Net book value at 31 March	**1 0**	1 1

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 (2007 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 (2007 £0 3m) Direct operating expenses incurred were £nil (2007 £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 2008 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 2008, 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 £3 0m (2007 £4 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 (2007 nil)

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 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**

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 2006	22 5	1 5	19 8	12 1	55 9
Additions	0 5	1 2	5 3	1 8	8 8
Disposals	(1 3)	(0 1)	(0 4)	(1 2)	(3 0)
At 31 March 2007	21 7	2 6	24 7	12 7	61 7
Accumulated depreciation					
At 1 April 2006	2 5	0 5	9 6	8 1	20 7
Charge for the year	0 4	0 2	2 5	2 5	5 6
Disposals	(0 2)	(0 1)	(0 4)	(1 2)	(1 9)
At 31 March 2007	2 7	0 6	11 7	9 4	24 4
Net book value at 31 March 2007	19 0	2 0	13 0	3 3	37 3

Notes to the Financial Statements

The Company owned no tangible fixed assets at 31 March 2008 (2007 £nil)

Depreciation cost is all shown in administrative expenses

14 Assets held under finance leases

Assets held under finance leases have the following net book value

	2008	2007
	£m	£m
Cost	**5 4**	5 4
Accumulated depreciation	**(1 2)**	(0 7)
Net book value	**4 2**	4 7

Included in assets held under finance leases are plant and equipment with a net book value of £3 6m (2007 £3 9m) and computer software of £0 6m (2007 £0 8m)

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	2008	2007
	£m	£m
Cost of investments in subsidiaries		
At 1 April	**14 9**	12 1
Increase in investments in subsidiaries - share-based payments	**1 2**	2 8
At 31 March	**16 1**	14 9
Aggregate impairment		
At 1 April and 31 March	**0 4**	0 4
Net book amount as at 31 March	**15 7**	14 5

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

16 Inventories

	2008	2007
	£m	£m
Fuel stock	**0 3**	0 2

The Group consumed £10 7m (2007 £9 3m) of inventories during the year

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

17 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£m	£m	£m	£m
Trade receivables	**55 8**	53 6	-	-
less provision for impairment	**(0 7)**	(0 8)	-	-
Trade receivables, net of provisions for impairment	**55 1**	52 8	-	-
Amounts due from subsidiary undertakings	-	-	**72 2**	51 3
Other debtors	**0 1**	0 2	-	0 1
Prepayments and accrued income	**4 3**	3 2	-	-
	59 5	56 2	**72 2**	51 4

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 (2007 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 the 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

	2008	2007
	£m	£m
At 1 April	**0 8**	1 3
Amount utilised through administrative expenses	**(0 2)**	(0 5)
Amount charged through administrative expenses	**0 1**	-
At 31 March	**0 7**	0 8

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

	2008	2007
	£m	£m
Less than 30 days	**54 0**	51 4
Between 30 - 60 days	**1 1**	1 1
Between 60 - 90 days	**0 2**	0 3
More than 90 days	**(0 2)**	-
	55 1	52 8

As at 31 March 2008, trade receivables of £0 8m (2007 £0 9m) were impaired The amount of provision was £0 7m at 31 March 2008 (2007 £0 8m) The ageing of these impaired trade receivables is as follows

	2008	2007
	£m	£m
Less than 30 days	**0 2**	0 1
Between 30 - 60 days	**0 1**	0 1
Between 60 - 90 days	**0 1**	0 1
More than 90 days	**0 4**	0 6
	0 8	0 9

As at 31 March 2008, trade receivables of £11 8m (2007 £10 5m) were past due but not impaired The ageing of these trade receivables is as follows

	2008	2007
	£m	£m
Less than 30 days	**10 7**	9 2
Between 30 - 60 days	**1 1**	1 0
Between 60 - 90 days	**0 2**	0 3
More than 90 days	**(0 2)**	-
	11 8	10 5

At 31 March 2008, there were £nil (2007 £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

	2008 £m	2007 £m
At 1 April	1 3	5 7
Amount charged through administrative expenses	-	1 3
Utilised during the period	(1 1)	(5 7)
At 31 March	0 2	1 3

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

None (2007 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 (2007 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	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash at bank and in hand	16 4	12 0	0 2	8 0

The effective interest rate on the cash and bank balances was approximately 4 8% (2007 4 9%), accruing on a daily basis

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

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash and cash equivalents	16 4	12 0	0 2	8 0

19 Trade and other payables - current

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade payables	32 6	24 2	-	0 1
Other creditors	0 4	0 1	-	-
Amounts owed to franchises	1 5	2 8	-	-
Amounts owed to subsidiary undertakings	-	-	50 6	26 1
Other taxes and social security payable	9 3	9 1	-	-
Accruals	10 7	12 5	-	0 1
Deferred income	1 9	0 1	-	-
	56 4	48 8	50 6	26 3

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

Notes to the Financial Statements

20 Borrowings

	Group		Company	
	2008	2007	**2008**	2007
	£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	**-**	-
	1 7	1 7	**1 0**	1 0
Non-current				
Amounts due after one year				
Sterling term loan (unsecured)	**5 0**	6 0	**5 0**	6 0
Finance lease obligations (see note 26)	**3 5**	4 2	**-**	-
	8 5	10 2	**5 0**	6 0

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

Interest on the term loan is reset every quarter As at 31 March 2008 the effective rate of interest payable on the term loan was approximately 6 2% (2007 5 7%) The loan is subject to various covenants

	Group		Company	
	2008	2007	**2008**	2007
	£m	£m	**£m**	£m
Finance lease minimum payments				
Less than 1 year	**0 7**	0 7	**-**	-
Between 1 and 5 years	**3 5**	3 8	**-**	-
Over 5 years	**-**	0 4	**-**	-
Total minimum lease payments	**4 2**	4 9	**-**	-
Future finance charges	**(0 7)**	(0 9)	**-**	-
Present value of finance leases	**3 5**	4 0	**-**	-

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007 30%)

The movement on the deferred tax account is as shown below

	Group		Company	
	2008	2007	**2008**	2007
Deferred tax account	**£m**	£m	**£m**	£m
At 1 April	**(0 5)**	(1 2)	**-**	0 1
Income statement (charge)/credit	**0 1**	0 6	**-**	(0 1)
(Charged)/credited to equity	**(0 1)**	0 1	**-**	-
At 31 March	**(0 5)**	(0 5)	**-**	-

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	
	2008	2007	**2008**	2007
Deferred tax assets	**£m**	£m	**£m**	£m
At 1 April	**-**	0 1	**-**	0 1
Income statement (charge)/credit	**0 6**	(0 1)	**-**	(0 1)
(Charged)/credited to equity	**(0 1)**	-	**-**	-
At 31 March	**0 5**	-	**-**	-

Notes to the Financial Statements

Deferred tax assets, relating only 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	
	2008	2007	**2008**	2007
Deferred tax liabilities	**£m**	£m	**£m**	£m
At 1 April	**0 5**	1 2	-	-
Income statement charge/(credit)	**0 5**	(0 7)	-	-
At 31 March	**1 0**	0 5	-	-

Deferred tax liabilities, which largely relate to 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 deferred income tax (charged)/credited to equity during the year is as follows

	Group		Company	
	2008	2007	**2008**	2007
	£m	£m	**£m**	£m
Deferred tax on share-based payments	**(0 1)**	0 1	-	-

Budget 2008 changes

The 2008 Budget included provisions to phase out Industrial Building Allowances over a period of 4 years, which will effect the deferred tax calculation This budget has yet to be substantively enacted as it remains to be approved by the House of Commons and the House of Lords Therefore, in accordance with IFRS reporting requirements, the effect of these provisions has not been included in these financial statements

It is estimated that if the proposed change to phase out Industrial Building Allowances is enacted, it will result in a deferred tax charge of £2 3m, with a corresponding increase in the deferred tax liability

22 Provisions

	Properties	**Claims**	**Totals**
	£m	**£m**	**£m**
At 1 April 2007	1 1	0 3	1 4
Charged to the income statement	0 6	0 1	0 7
Utilised in the year	(0 2)	(0 3)	(0 5)
At 31 March 2008	**1 5**	**0 1**	**1 6**

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

	2008	2007
	£m	£m
Current	**1 2**	0 6
Non-current	**0 4**	0 8
	1 6	1 4

Properties

The provision for property leases largely relates to dilapidations on properties under leases expiring within 1 year and up to 13 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

Additionally, the Group holds leases over two vacant properties, both of which are on the market with a view to sub-letting Provision is made for rental during the anticipated time that these properties will be on the market In determining this provision, the cash flows have been discounted at the Group's pre-tax borrowing rate

Claims

The £0 1m provision for claims relates to a number of legal actions which are anticipated to be settled in the current year

Notes to the Financial Statements

23 Called up share capital

Group and Company	2008 £m	2007 £m
Authorised		
70,000,000 (2007 70,000,000) ordinary shares of 10p each	**7 0**	7 0

Issued, allotted and fully paid

Ordinary shares of 10p each	2008 Shares	2008 £m	2007 Shares	2007 £m
At 1 April	**54,595,502**	**5 5**	54,530,862	5 5
Allotted under share option schemes	**78,735**	-	64,640	-
At 31 March	**54,674,237**	**5 5**	54,595,502	5 5

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 2007, as follows

Scheme	Year of grant	Exercise price	Exercise period	2008 Numbers	2007 Numbers
Sharesave scheme	2004 - 2007	360p - 496p	01 08 07 to 01 03 12	**315,268**	365,241
New executive 2001 share option scheme	2001 - 2002	364p - 418p	05 12 04 to 31 05 12	**90,626**	106,694
Franchise option scheme 2002	2002	380p	12 07 05 to 12 07 12	**19,735**	103,386
LTIP	2005 - 2007	Nil	24 05 08 to 03 12 17	**1,065,495**	856 566
One-off senior executive award	2006	Nil	23 05 09 to 23 06 09	**220,000**	220,000
Share matching plan	2004 - 2007	Nil	16 11 07 to 05 12 10	**49,917**	3,740
				1,761,041	1,655,627

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 2008, the trust held a total of 624,817 shares (2007 414,252 shares) All other shares carry voting rights and accrue dividends

During the year the Trust purchased 210,565 ordinary shares of 10p, 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 2007 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 franchises participating

Options granted under the franchise 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 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 the year 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

Phantom share option bonus scheme

The Company offered a phantom share option bonus scheme to Bill Cockburn to incentivise him in the growth of UK Mail The bonus payable is determined primarily by reference to the profit of UK Mail Ltd in its third full financial year of trading i e year ended 31 March 2008

Under the rules, where profit is between £4 million and £10 million there will be a 40% to 100% pro-rata entitlement to the bonus, with no payment where profits are lower than £4 million As the PBIT of UK Mail Ltd was £10m, Bill Cockburn is entitled to the maximum 100% payout

The maximum bonus entitlement will be the higher of £400,000 or a bonus calculated by reference to a notional holding of 200,000 ordinary shares in the Company acquired at the average middle market price in the five dealing days immediately preceding 12 March 2002, and valued at the average middle market price in the five dealing days immediately following the announcement of the Company's financial results for the year ended 31 March 2008

Exercise of an option is subject to continued employment, save for termination either by the Company or due to ill health, incapacity or death Settlement is in the form of cash

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

	LTIP	LTIP	LTIP	LTIP	Share Matching Plan	SAYE
Grant date	4/6/2007	18/7/2007	20/11/2007	3/12/2007	4/6/2007	7/9/2007
Share price at grant date	£4 74	£4 83	£2 98	£2 75	£4 74	£4 74
Exercise price	-	-	-	-	-	£3 62
Number of employees	45	2	1	1	3	228
Number of shares granted	478,939	4,501	18,272	20,370	47,917	165,453
Vesting period (years)	3	3	3	3	3	3
Expected volatility	37 3%	39 3%	43 9%	44 6%	-	37 0%
Option life (years)	10	10	3	10	3	3
Expected life (years)	3	3	3	3	3	3
Risk free interest rate	5 8%	5 8%	4 5%	4 95%	5 8%	5 1%
Expected dividends expressed as a dividend yield	3 6%	3 6%	5 8%	6 3%	3 6%	3 6%
Fair value per option	£3 16	£3 34	£1 57	£1 35	£4 24	£1 63
Expected forfeiture (%)	30 0%	30 0%	30 0%	30 0%	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 2008 is shown on the following page

	2008 Number	2008 Weighted average exercise price	2007 Number	2007 Weighted average exercise price
Outstanding as at 1 April	**1,655,627**	**£1 42**	2,102,768	£3 22
Granted	**735,451**	**£0 81**	996,220	£0 75
Forfeited	**(553,670)**	**£1 80**	(1,376,943)	£3 57
Exercised	**(76,367)**	**£3 98**	(66,418)	£3 72
Outstanding as at 31 March	**1,761,041**	**£0 94**	1,655,627	£1 42
Exercisable at 31 March	**110,361**	**£4 07**	156,238	£4 08

Options are exercisable as follows

Range of exercise prices	2008 Weighted average exercise price	2008 Number of shares	2008 Weighted average remaining life expected years	2008 Weighted average remaining life contracted years	2007 Weighted average exercise price	2007 Number of shares	2007 Weighted average remaining life expected years	2007 Weighted average remaining life contracted years
£0 00 - £0 99	**£0 00**	**1,335,412**	**1 9**	**7 1**	£0 00	1,080 306	2 2	7 4
£1 00 - £1 99	-	-	-	-	-	-	-	-
£2 00 - £2 99	-	-	-	-	-	-	-	-
£3 00 - £3 99	**£3 66**	**300,727**	**2 3**	**2 9**	£3 75	339,024	2 2	2 9
£4 00 - £4 99	**£4 45**	**124,902**	**0 8**	**3 2**	£4 51	218,037	1 7	4 8
£5 00 - £5 99	-	-	-	-	£5 75	18,260	1 7	8 2

The weighted average share price during the year for options exercised was £4 61 (2007 £4 49) The total charge for the year relating to employee share-based payments was £1 3m (2007 £1 0m), £1 1m of which related to equity-settled share-based payment transactions and £0 2m to cash-settled share-based transactions After deferred tax, the net charge was £1 1m (2007 £0 7m)

25 Reconciliation of profit to net cash flow generated from operations

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Profit/(loss) for the year	**9 7**	6 9	**(0 3)**	(0 4)
Taxation	**4 5**	2 9	**(0 1)**	(0 4)
Finance costs payable	**0 7**	0 7	**0 4**	0 4
Finance income receivable	**(0 4)**	(0 1)	**(0 3)**	-
Exceptional items	-	1 7	-	-
Depreciation and amortisation	**5 9**	6 0	-	-
Share-based payments	**1 3**	0 9	-	-
(Increase)/decrease in inventories	**(0 1)**	-	-	-
(Increase)/decrease in trade and other receivables	**(3 3)**	(2 5)	**(20 7)**	6 7
Increase in trade and other payables	**7 2**	11 9	**24 3**	16 0
Increase/(decrease) in provisions	**0 2**	(0 2)	-	-
Net cash flow generated from operations	**25 7**	28 2	**3 3**	22 3

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 2008 was

	2008 Book value total £m	**2008** Floating rate financial liabilities £m	2007 Book value total £m	2007 Floating rate financial liabilities £m
Term loan	**6 0**	**6 0**	7 0	7 0
Provisions	**1 6**	**1 6**	1 3	1 3
	7 6	**7 6**	8 3	8 3

The interest rate on the term loan is based on a floating rate linked to the London Inter Bank Offer Rate ("LIBOR") A separate interest rate cap exists to reduce exposure to fluctuations in the LIBOR rate, ensuring that the interest exposure is capped at 6 0% until 31 July 2008, when the cap expires Given that the Group has no plans to renew this instrument, and that the interest rate on the loan benefits from any interest rate reductions when LIBOR is less than 6 0%, the loan has been disclosed as a floating rate financial liability

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

	2008 Group debt £m	**2008** Other financial liabilities £m	**2008** Total £m	2007 Group debt £m	2007 Other financial liabilities £m	2007 Total £m
Between one and two years	**1 0**	**0 8**	**1 8**	1 0	1 0	2 0
Between two and five years	**3 0**	**2 5**	**5 5**	3 0	2 3	5 3
After five years	**1 0**	**0 6**	**1 6**	2 0	1 7	3 7
	5 0	**3 9**	**8 9**	6 0	5 0	11 0

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 £12m (2007 £12m) These facilities are in place until 31 December 2008

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 2008 and 2007 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

	2008		2007	
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£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	**(5 0)**	**(5 0)**	(6 0)	(6 0)
Finance leases	**(4 2)**	**(4 0)**	(4 9)	(5 3)
Cash at bank and in hand	**16 4**	**16 4**	12 0	12 0

Derivative financial instruments

An interest rate cap agreement, expiring on 31 July 2008, with interest capped at 6%, was taken out during 2004 to minimise exposure to increases in the floating rate of interest on the term loan (note 20) The Group does not have any plans to renew this instrument on its expiry

Summary of methods and assumptions

Interest rate cap	Fair value is based on the market price of comparable instruments at the balance sheet date
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

Hedges

As explained in the Business Review section of the Report and Accounts, entitled "Treasury Risk Management" the Group's policy is to hedge any significant interest rate risk through using an interest rate cap

There are no unrecognised gains or losses arising from the above hedge which have not been charged to the income statement during the year

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 £19,000 (2007 £16,000)

Credit quality of financial assets

Cash at bank and short-term deposits is held at counterparties with external credit ratings (Moody's) of

	2008	2007
	£m	£m
AAA	**16 4**	12 0

Notes to the Financial Statements

27 Operating lease commitments - minimum lease payments

	Group 2008 Land and buildings £m	**Group 2008** Vehicles, plant and equipment £m	Group 2007 Land and buildings £m	Group 2007 Vehicles, plant and equipment £m
Commitments under non-cancellable operating leases expiring				
Within one year	**0 5**	**1 8**	3 7	6 1
Later than one year and less than five years	**6 6**	**8 7**	11 5	7 4
After five years	**16 0**	**7 3**	7 6	-
At 31 March	**23 1**	**17 8**	22 8	13 5

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 (2007 nil)

The total future sub-lease payments receivable relating to the above operating leases amounted to £nil (2007 £21,000)

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 £12m (2007 £12m)

29 Capital and other financial commitments

	Group **2008** **£m**	Group 2007 £m
Contracts placed for future capital expenditure not provided in the financial statements	**0 5**	1 6

30 Analysis of net (debt)/cash

Group

	At 1 April 2006 £m	Cash Flow £m	Other £m	At 1 April 2007 £m	Cash Flow £m	Other £m	**At 31 March 2008 £m**
Cash at bank and in hand	-	12 0	-	12 0	4 4	-	**16 4**
Bank overdrafts	(0 4)	0 4	-	-	-	-	**-**
	(0 4)	12 4	-	12 0	4 4	-	**16 4**
Debt due within one year	(1 0)	1 0	(1 0)	(1 0)	1 0	(1 0)	**(1 0)**
Debt due after one year	(7 0)	-	1 0	(6 0)	-	1 0	**(5 0)**
Finance leases	(1 2)	-	(3 7)	(4 9)	0 7	-	**(4 2)**
	(9 2)	1 0	(3 7)	(11 9)	1 7	-	**(10 2)**
Net (debt)/cash	**(9 6)**	**13 4**	**(3 7)**	**(0 1)**	**6 1**	**-**	**6 2**

Company

	At 1 April 2006 £m	Cash Flow £m	Other £m	At 1 April 2007 £m	Cash Flow £m	Other £m	**At 31 March 2008 £m**
Cash at bank and in hand	-	8 0	-	8 0	(7 8)	-	**0 2**
Bank overdrafts	(3 8)	3 8	-	-	-	-	**-**
	(3 8)	11 8	-	8 0	(7 8)	-	**0 2**
Debt due within one year	(1 0)	1 0	(1 0)	(1 0)	1 0	(1 0)	**(1 0)**
Debt due after one year	(7 0)	-	1 0	(6 0)	-	1 0	**(5 0)**
	(8 0)	1 0	-	(7 0)	1 0	-	**(6 0)**
Net (debt)/cash	**(11 8)**	**12 8**	**-**	**(1 0)**	**(6 8)**	**-**	**(5 8)**

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

There were no related party transactions involving the Directors, other than as disclosed in the Remuneration Report

The balances outstanding at 31 March 2008 between the Company and other Group companies were as follows

	2008 £m	2007 £m
Current		
Amounts due from subsidiary undertakings	**72 2**	51 3
Amounts owed to subsidiary undertakings	**(50 6)**	(26 1)

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 ended 31 March 2008 of 10 8p per share, which if approved will be paid on 25 July 2008 to shareholders who are on the register of members on 27 June 2008

33 Principal subsidiaries

The Company has the following principal wholly owned trading subsidiaries, all operating within the United Kingdom

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

Notes to the Financial Statements

35 Financial Risk Management

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, principally the euro, represent less than 1% of all expenditure

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 customer accounts for more than 5% of revenue

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

Credit risk

The Group has no significant concentration of credit risk The Group has implemented policy that require appropriate credit checks on potential customers before sale commences and strict credit control of outstanding amounts Trade credit insurance is employed to protect any significant exposure to bad debts

Interest rate risk

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	**2008** £m	2007 £m
Cash at bank and in hand	Floating rate linked to base rates	**16 4**	12 0
Bank loan	Floating rate linked to LIBOR *	**(6 0)**	(7 0)
Finance leases	Fixed rate at inception of the lease	**(4 2)**	(4 9)

* A 6% interest cap agreement exists until 31 July 2008

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

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

Liquidity risk

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

At the year end, the Group had undrawn borrowing facilities of £12m under a facility expiring 31 December 2008

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

Five Year Summary of Results

	Notes	**IFRS 2008 £m**	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Revenue		**358 6**	325 6	278 2	233 3	192 7
Cost of sales		**(306 6)**	(275 6)	(231 4)	(184 7)	(149 6)
Gross profit		**52 0**	50 0	46 8	48 6	43 1
Administrative expenses	(a) (b)	**(37 5)**	(39 6)	(41 7)	(28 7)	(24 4)
Operating profit		**14 5**	10 4	5 1	19 9	18 7
Net finance costs		**(0 3)**	(0 6)	(0 4)	(0 3)	-
Profit on ordinary activities before taxation		**14 2**	9 8	4 7	19 6	18 7
Taxation	(a)	**(4 5)**	(2 9)	(1 3)	(5 9)	(6 1)
Profit for the financial year		**9 7**	6 9	3 4	13 7	12 6
Earnings per share - basic		**18 0p**	12 8p	6 4p	25 6p	23 8p
Dividends per share	(c)	**17 2p**	17 2p	19 2p	18 5p	18 0p

The calculation of earnings per share for the five years ended 31 March 2008 is based on the following weighted numbers of shares in issue

31 March 2008	**54,068,346**
31 March 2007	54,150,544
31 March 2006	53,962,493
31 March 2005	53,586,502
31 March 2004	53,155,846

Notes

The table above presents the results of the Group under IFRS for the years ended 31 March 2005, 2006, 2007 and 2008 As permitted by IFRS 1, 'First time adoption of International Financial Reporting Standards', the results for the year ended 31 March 2004 have not been restated from UK GAAP existing at that time to IFRS In order to comply with IFRS, we believe that the principal adjustments that would be required to restate UK GAAP results to IFRS are,

(a) Under IFRS, the costs of all share-based payments including employee sharesave schemes are recognised whereas, under UK GAAP, only awards granted at a discount to the market were recognised with sharesave specifically exempted Additionally, the recognition of an accounting share-based payment cost under IFRS necessitates the recognition of an associated deferred taxation asset, which is charged to the income statement, or where applicable, directly to equity

(b) Under IFRS, goodwill is not amortised, but is subject to an annual impairment review The Company has applied the exemption not to restate its business combinations prior to the transition date, and consequently goodwill previously written off to reserves has not been reinstated

(c) Under IFRS, dividends payable are recognised in the period in which they are approved, rather than the period in which they were declared as was required under UK GAAP As a result the above table includes the 12 05p final dividend in respect of the year ended 31 March 2004 in both the year ended 31 March 2004 UK GAAP figures, and the year ended 31 March 2005 figures

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Business Post Group plc will be held at Dresdner Kleinwort 30 Gresham Street London EC2P 2XY at 12 noon on 9 July 2008 for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 8 as ordinary resolutions and Resolutions 9 to 11 as special resolutions

Ordinary business

1 To receive the directors' report and the accounts for the year ended 31 March 2008 **Resolution 1**

2 To declare a final dividend of 10 8p net per ordinary share for the year ended 31 March 2008, payable to shareholders on 25 July 2008 who are on the register on 27 June 2008 **Resolution 2**

3 To approve the remuneration report of the directors **Resolution 3**

4 To re-elect Michael Kane as a director **Resolution 4**

5 To re-elect Bill Cockburn as a director **Resolution 5**

6 To re-elect Steven Glew 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**

8 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

8 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 10 July 2007 provided that such replacement shall not have retrospective effect

9 That **Resolution 9**

9 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 8 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

9 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 exchange or otherwise in any territory, and

9 1 2 the allotment (otherwise than pursuant to paragraph 9 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 2009 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

9 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

10 That 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 **Resolution 10**

10 1 the maximum number of ordinary shares hereby authorised to be purchased is 5,467,423,

10 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,

10 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,

10 4 the authority hereby conferred shall expire on the earlier of 9 October 2009 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

10 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

Notice of Meeting

11 That the Articles of Association of the Company be and are hereby amended as follows **Resolution 11**

11 1 by inserting the following new Article 70 1 5

"70 1 5 shall not infringe or be in breach of his duties to the Company by reason of any such interest This Article 70 1 5 shall take effect when Article 70A shall take effect "

11 2 by inserting the following new Article 70 4

"70 4 This Article 70 is subject to the provisions of Article 70A (as from when Article 70A shall take effect)

11 3 by inserting the following new Article 70A

"70A Authorisation of Directors' Interests

70A 1 This Article 70A shall take effect on and from the commencement in force of Section 175 of the Companies Act 2006

70A 2 The Directors may authorise, to the fullest extent permitted by law

(i) any matter which would or might otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or a conflict of duties),

(ii) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and without prejudice to the generality of this Article 70A 2 may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises

70A 3 An authorisation under Article 70A 2 may be given subject to such terms and conditions as the Directors think fit to impose at the time of such authorisation or subsequently and the authorisation may be varied or terminated by the Directors at any time

70A 4 An authorisation under Article 70A 2 is only effective if any requirement as to the quorum of the meeting is met without the Director in question and any other interested Director counting in the quorum at any meeting at which such matter, or such office, employment or position, is approved and the authorisation is agreed to without their voting or would have been agreed to if their votes had not been counted

70A 5 If a matter, or office, employment or position, has been authorised by the Directors in accordance with this Article 70A (and subject to Article 70A 3) then

(i) the Director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position,

(ii) the Director may (and shall if required by the Directors) absent himself from meetings or discussions of the Directors at which anything relating to that matter, or that office, employment or position, will or may be discussed, and

(iii) the Director may (and shall if required by the Directors) decline to review information provided by the Company which will or may relate to or be connected to that matter, or that office, employment or position

70A 6 A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office employment or position, which has been approved by the Directors pursuant to this Article 70A (subject in any such case to any terms or conditions to which such approval is for the time being subject)

70A 7 This Article is without prejudice to the operation of Article 70 '

11 4 By inserting the following as the final sentence of Article 88

"A Director shall not be counted in the quorum present in relation to any matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters and resolutions considered or voted on at the meeting "

11 5 by deleting the following words from Article 90 1

"A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting"

11 6 By inserting into Article 90 2, immediately after the words "Subject to the provisions of the Statutes", the words "and subject to Article 70A,"

By order of the Board

Steven Glew
Company Secretary
20 May 2008

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

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 copy of the proposed amended articles of association of the Company showing the changes being proposed in resolution 11 as well as copies of contracts of service between directors and the Company, and the register of directors' interests in shares of the Company

7 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 7 July 2008 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 7 July 2008 shall be disregarded in determining the right of any person to attend or vote at the meeting

8 As at 19 May 2008 (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 number of ordinary shares in the Company with voting rights is 54,674,237

9 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

10 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

Financial Calendar

25 June	2008	Shares become ex dividend
27 June	2008	Record date for dividend
9 July	2008	Annual General Meeting
25 July	2008	Payment of final dividend for the year ended 31 March 2008
November	2008	Announcement of interim results and interim dividend for the year ending 31 March 2009
January	2009	Payment of interim dividend for the year ending 31 March 2009

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