

Red Star Parcels Limited

Annual report

for the period ended 25 September 1999

Registered Number 03095533



Red Star Parcels Limited
Annual report
for the period ended 25 September 1999

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Red Star Parcels Limited

Directors' report for the period ended 25 September 1999

The directors present their report and the audited financial statements of the company for the period ended 25 September 1999.

Following acquisition by LYNX Express Limited on 4 January 1999 the company's year end has changed from 31 December to 30 September.

Although the accounting reference date is 30 September, the financial statements are drawn up to a Saturday within 7 days of that date. As such, these financial statements are drawn up to 25 September 1999 as permitted under Section 223 of the Companies Act 1985.

Principal activities

The principal activity is the distribution and delivery of premium parcel services.

Financial results

During the period under review, the company incurred a loss of £1,493,000 (Period ended 4 January 1999 - loss of £2,450,000) which has been transferred from reserves.

Proposed dividend

The directors do not recommend the payment of a dividend (4 January 1999 - £Nil).

Directors and their interests

The directors of the company who served during the period and to the date of this report were:

P W Rose	(resigned 15 September 1999)
D J R Burtenshaw	
R Abrahams	(resigned 10 March 2000)
J Holmes	(resigned 11 January 1999)
S Dennison	
J Higgins	(resigned 11 January 1999)
M Maggs	(resigned 11 January 1999)
P Robson	(resigned 11 January 1999)
B Smith	(resigned 11 January 1999)

The directors who held office at the end of the financial period had no interest in the shares or debentures of the company.

DJR Burtenshaw is a director of LYNX Express Limited and his interests are shown in the notes to the financial statements of that company.

No other directors have any interests in the share capital of LYNX Express Limited at 25 September 1999.

Year 2000

No Year 2000 related computer problems have been reported, following an intensive review and modification programme of all relevant systems in 1999.

Red Star Parcels Limited

Directors' report for the period ended 25 September 1999 (continued)

Political and charitable contributions

No charitable or political donations were made in the period (period ended 4 January 1999 - £Nil).

Employees

It is company policy to give fair consideration to applications for the employment of disabled persons, having regard to the abilities and aptitudes of the candidates.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged.

It is company policy to encourage, at each location, systems of communication and consultation for employees.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Going concern

After making enquiries, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Red Star Parcels Limited

Directors' report for the period ended 25 September 1999 (continued)

Payment of creditors

It is the company's policy to make payment to suppliers on our standard terms unless alternative payment terms are agreed. The company seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 25 September 1999, the company had an average of 36 days (Period ended 4 January 1999 - 39 days) purchases outstanding in trade creditors.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



J R Homer
Secretary
15 June 2000

1 St George's Way
Bermuda Industrial Estate
Nuneaton
CV10 7JS

Red Star Parcels Limited

Auditors' report to the members of Red Star Parcels Limited

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

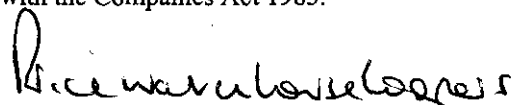
Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 25 September 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
15 June 2000

Red Star Parcels Limited

Profit and loss account for the period ended 25 September 1999

	Note	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Turnover	2	20,515	21,368
Cost of sales		(16,882)	(16,966)
Gross profit		3,633	4,402
Administrative expenses - including exceptional reorganisation costs of £158,000 (4 January 1999 - £110,000)	3	(4,921)	(6,375)
Other operating income		-	1
Operating loss	3	(1,288)	(1,972)
Interest payable and similar charges	6	(205)	(478)
Loss on ordinary activities before interest and taxation	3	(1,493)	(2,450)
Tax on loss on ordinary activities	7	-	-
Loss for the financial period	14, 15	(1,493)	(2,450)

Movement on reserves during the period are shown in note 15 to the financial statements.

The notes on pages 8 to 20 form part of these financial statements.

The results for the current year include all recognised gains and losses in the period. There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

The results for the current and previous periods relate entirely to continuing operations.

Red Star Parcels Limited

Statement of total recognised gains and losses period ended 25 September 1999

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Loss for the financial period	(1,493)	(2,450)
Total recognised gains and losses relating to the period	(1,493)	(2,450)
Prior year adjustment	-	(90)
Total recognised gains and losses recognised since last financial statements	(1,493)	(2,540)

Red Star Parcels Limited

Balance sheet as at 25 September 1999

	Note	Period ended 24 September 1999 £'000	Period ended 4 January 1999 £'000
Fixed assets			
Tangible assets	8	1,226	1,287
Current assets			
Debtors: amounts due after one year	9	3,809	3,724
Debtors: amounts due within one year	9	5,057	4,796
Cash at bank and in hand		44	16
		<u>8,910</u>	<u>8,536</u>
Creditors: amounts falling due within one year	10	(10,358)	(8,400)
Net current (liabilities)/assets		(1,448)	136
Total assets less current liabilities		(222)	1,423
Creditors : amounts falling due after more than one year	11	(876)	(1,035)
Provisions for liabilities and charges	12	(210)	(203)
Net liabilities/(assets)		(1,308)	185
Capital and reserves			
Called up share capital - equity	13	3,550	3,550
Share premium account	15	1,364	1,364
Capital reserve	15	4,081	4,081
Profit and loss account	15	(10,303)	(8,810)
Shareholders' funds - equity	14	(1,308)	185

The financial statements on pages 8 to 20 were approved by the board of directors on 15 June 2000 and were signed on its behalf by:



S Dennison
Director

Red Star Parcels Limited

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts are prepared on a going concern basis which the directors believe to be appropriate for the following reason. Red Star Limited, the company's parent company, is a 100% of subsidiary LYNX Express Limited who have provided the company with additional loan facilities sufficient to meet its forecast working capital requirements.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers in the UK during the year.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Building improvements	- 25-33 years
Plant and equipment	- 4 years
Motor vehicles	- 4 years
Computer equipment	- 2 years

Leased assets

Where assets are financed by leasing agreements which give risks and rewards approximating to ownership (finance leases) they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element, which reduces the outstanding liability, and an interest charge (calculated using the sum of digits method).

All other leases are regarded as operating leases and the total rentals made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

The company participates in the Red Star shared cost section of the Railways Pension Scheme, which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Goodwill

On acquisition of an unincorporated business, any excess of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited directly to reserves.

Red Star Parcels Limited

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard 1 (Revised 1996) to prepare a cash flow statement, as its cash flows are included within the consolidated cashflow statement of LYNX Express Limited, a company registered in England.

Going concern

The directors of the ultimate parent undertaking have indicated that they will continue to support the company to ensure that all external liabilities are met in full.

Related party transactions

The company has taken advantage of the exemption not to disclose related party transactions with other members of the group under Financial Reporting Standard No. 8 (Related Party Disclosures) as it is a wholly owned subsidiary.

Prior period adjustment

In the prior year, the company changed its accounting policy with respect to certain leased computer equipment with the net effect being reported within the Statement of Recognised Gains and Losses.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999

2 Analysis of turnover and loss before taxation

The company's turnover and loss before taxation reflect its single principal activity which is in the UK.

3 Loss on ordinary activities before taxation

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	25	22
Other services	10	5
Depreciation - owned assets	57	66
- leased assets	185	350
Hire of assets under operating leases:		
- plant and machinery	190	183
- other	1,776	1,955
Exceptional reorganisation costs - redundancy costs	158	110

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

4 Remuneration of directors

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Directors' emoluments	148	330
Amounts paid to third parties in respect of directors' services	-	11
	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	6

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Sales	13	25
Operational	334	389
Administrative	135	130
	<u>482</u>	<u>544</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
Wages and salaries:		
- excluding exceptional costs	5,137	7,470
- exceptional costs	158	-
- total	<u>5,295</u>	<u>7,470</u>
Social security costs	387	590
Other pension costs (see note 17)	13	7
	<u>5,695</u>	<u>8,067</u>

Wages and salaries for the period ended 25 September 1999 include exceptional charges of £158,000 which are related to redundancy costs associated with the re-organisation of the business.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

6 Interest payable and similar charges

	Period ended 25 September 1999 £'000	Period ended 4 January 1999 £'000
On bank loans, overdrafts and other loans	98	271
Interest payable under finance lease agreements	103	190
Other finance costs	4	17
	<u>205</u>	<u>478</u>

7 Taxation

There is no liability for corporation tax or deferred tax in the current or previous period due to losses incurred during the period. The company has estimated tax losses amounting to approximately £8,597,000 (Period ended 4 January 1999 - £7,325,000) available to carry forward and offset against future taxable profits. As a consequence the company has a substantial deferred tax asset in the current and previous period which has not been recognised.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

8 Tangible fixed assets

	Building Improvements £'000	Plant equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<u>Cost</u>					
At 5 January 1999	14	254	18	1,949	2,235
Additions	23	-	-	158	181
Disposals	-	-	(18)	-	(18)
At 25 September 1999	<u>37</u>	<u>254</u>	<u>-</u>	<u>2,107</u>	<u>2,398</u>
<u>Depreciation</u>					
At 5 January 1999	7	207	18	716	948
Charge for period	3	19	-	220	242
Disposals	-	-	(18)	-	(18)
At 25 September 1999	<u>10</u>	<u>226</u>	<u>-</u>	<u>936</u>	<u>1,172</u>
<u>Net book value</u>					
At 25 September 1999	<u>27</u>	<u>28</u>	<u>-</u>	<u>1,171</u>	<u>1,226</u>
At 4 January 1999	<u>7</u>	<u>47</u>	<u>-</u>	<u>1,233</u>	<u>1,287</u>

Assets held under finance leases are included in computer equipment at a cost of £1,840,000 (4 January 1999 - £1,840,000) and accumulated depreciation of £795,000 (4 January 1999 - £610,000).

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

9 Debtors

	25 September 1999 £'000	4 January 1999 £'000
Amounts falling due within one year:		
Trade debtors	4,239	4,013
Amounts owed by parent undertaking	273	273
Other debtors	174	152
Other prepayments and accrued income	371	358
	<u>5,057</u>	<u>4,796</u>
 Amounts falling due in more than one year:		
Pension prepayment	3,809	3,724
	<u>8,866</u>	<u>8,520</u>

10 Creditors (amounts falling due within one year)

	25 September 1999 £'000	4 January 1999 £'000
Bank loans and overdrafts	1,760	2,975
Trade creditors	1,412	1,526
Amounts owed to group undertaking	3,583	150
Finance leases	210	185
Other taxation and social security	577	864
Other creditors	464	59
Accruals and deferred income	2,352	2,641
	<u>10,358</u>	<u>8,400</u>

Within bank loans and overdrafts is finance of £1,670,000 (4 January 1999 - £2,869,000) provided by a factoring company and secured upon all assets.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

11 Creditors (amounts falling due after more than one year)

	25 September 1999	4 January 1999
	£'000	£'000
Finance lease	876	1,035

The finance lease comprises £210,000 (4 January 1999 - £185,000) payable within one year, £876,000 (4 January 1999 - £735,000) payable within one and five years and £Nil (4 January 1999 - £300,000) payable after five years.

12 Provisions for liabilities and charges

	Dilapidations	Claims and other	Total
	£'000	£'000	£'000
At 5 January 1999	167	36	203
Charge for the period	37	115	152
Paid in the period	(30)	(115)	(145)
At 25 September 1999	174	36	210

A dilapidations provision was made in the previous year for the company's contractual obligation to redecorate the interiors of its Parcel Point locations once every five years. Utilisation is likely to occur over several years as and when required.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

13 Called up share capital

	25 September 1999		4 January 1999	
	Number	£'000	Number	£'000
Authorised:				
Equity: Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
Allotted, called up and fully paid:				
Equity: Ordinary shares of £1 each	3,550,001	3,550	3,550,001	3,550

14 Reconciliation of movements in shareholders' funds

	25 September 1999	4 January 1999
	£'000	£'000
Loss for the financial period	(1,493)	(2,450)
Issues of shares on redemption of debenture loans	-	1,364
Net movement in shareholders' funds	(1,493)	(1,086)
Opening shareholders' funds	185	1,271
Closing shareholders' funds	(1,308)	185

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

15 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000
At 5 January 1999	1,364	4,081	(8,810)
Loss for the financial period	-	-	(1,493)
At 25 September 1999	<u>1,364</u>	<u>4,081</u>	<u>(10,303)</u>

16 Operating lease commitments

	25 September 1999		4 January 1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	31	-	37
In the second to fifth years inclusive	926	910	983	903
Over five years	100	-	100	-
	<u>1,026</u>	<u>941</u>	<u>1,083</u>	<u>940</u>

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

17 Pension scheme

Red Star is a participating employer in the BR Shared-cost section of the Railways Pension Scheme (RPS). The RPS was established on 31 May 1994 by the Railways Pension Scheme Order 1994 (SI 1994/1433). The RPS is a defined benefit scheme and provides benefits based on final average pensionable pay. The assets of the RPS are held separately from those of the company and its subsidiaries. The BR privatisation process required that on acquisition (5 September 1995) a separate section of the RPS was established for Red Star in order to enable employees to continue to accrue pension benefits in the RPS. In accordance with FRS7, the pension scheme prepayment was calculated to be £3.391 million as at the date of acquisition. In accordance with actuarial advice received by the Trustee of the RPS, the Company has paid contributions at the rate of 7.5% of Section Pay to the RPS since the date of acquisition. Although an actuarial valuation took place on 1 April 1999, no report has been received as at the date of the accounts. The valuation with an effective date of 1 April 1996 showed that the market value of the section assets was £12 million and that the actuarial value of those assets represented 160% of the benefits that had accrued to members after allowing for expected future increases in earnings. The results also indicated that the normal joint contribution rate required to finance benefits attributable to future service would be 25.5% of Section Pay and that the current Company contribution rate of 7.5% of Section Pay could be expected to be maintained until September 2003 (the RPS required that the total cost is shared in such a way that the employer contributes 1.5 times the members' contributions).

The actuarial method used for these calculations was the projected-unit method. The assumptions which have the most significant effect on these calculations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that general salary increases would average 6.5% per annum excluding promotional scale, and that present and future pensions would increase at the rate of 4.5% per annum. Dividend growth on UK equities was taken to be 4% p.a.

The net pension costs and balance sheet items were as follows:

	25 September 1999	4 January 1999
	£'000	£'000
Net pension cost for the period	13	7
Balance sheet prepayment	<u>3,809</u>	<u>3,724</u>

An actuarial valuation of the Red Star section of the RPS is being carried out at 31 December 1998, although the results of this valuation are not yet available.

Red Star Parcels Limited

Notes to the financial statements for the period ended 25 September 1999 (continued)

18 Ultimate parent undertaking

The Company's immediate parent undertaking is Red Star Limited which is registered in England and Wales.

The Company's ultimate parent undertaking is LYNX Express Limited. Copies of the consolidated financial statements can be obtained from the Company Secretary, LYNX Express Limited, 1 St George's Way, Bermuda Industrial Estate, Nuneaton, CV10 7JS.