Interim Report 2008

for the six months ended
30 September 2008

2008

Businesspost
Group plc

Highlights

- Group revenues up 16.3% to £194.5m (2007: £167.3m)
- UK Mail revenues up 34.4% to £80.1m (2007: £59.6m)
- Profit before tax up 25.0% to £6.0m (2007: £4.8m)
- Interim dividend of 6.4p per share (2007: 6.4p)

Interim Statement

INTRODUCTION

The Group has made satisfactory progress in the first half of the year. UK Mail has achieved good growth in revenues and profit, driven by new business wins and further mail volumes from existing customers. Parcels revenues showed a satisfactory improvement on last year. Revenues and profits in Specialist Services were up significantly on last year, with new contracts driving a strong improvement in our Courier business.

Overall we have achieved a further significant improvement in financial performance against the prior year. Group revenues grew by 16.3% to £194.5m and profit before tax of £6.0m was 25% up on the same period last year (2007: £4.8m).

STRATEGY

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 model, underpinned by a strong balance sheet, is robust. We are successfully developing our business streams across a broader base of activities and with a focus on longer term contracts in areas less directly exposed to levels of economic activity. Our non-Parcels activities – Mail and Specialist Services – have now grown to represent over 50% of operating profit.

RESULTS

The interim results can be summarised as follows:

	6 months ending 30 September		
	2008	2007	
	£m	£m	Inc/(Dec)
Group revenue	**194.5**	167.3	16.3%
Operating profit	**6.1**	5.0	22.0%
Net finance costs	**(0.1)**	(0.2)	50.0%
Profit before tax	**6.0**	4.8	25.0%
Taxation	**(4.0)**	(1.5)	(166.7)%
Profit after tax	**2.0**	3.3	(39.4)%
Basic earnings per share	**3.8p**	6.1p	(37.7)%
Adjusted earnings per share (before deferred taxation adjustment - see note 11)	**7.9p**	6.1p	29.5%

Revenue and operating profit are analysed as follows:

	Revenue			Operating Profit		
	2008 £m	2007 £m	Inc/ (Dec) %	**2008 £m**	2007 £m	Inc/ (Dec) %
Parcels	**89.1**	86.8	2.6%	**6.2**	6.5	(4.6%)
Mail	**80.1**	59.6	34.4%	**5.6**	4.3	30.2%
Specialist Services	**25.3**	20.9	21.1%	**1.2**	0.9	33.3%
Total	**194.5**	167.3	16.3%	**13.0**	11.7	11.1%
Central costs				**(6.9)**	(6.7)	(3.0%)
Operating profit				**6.1**	5.0	22.0%

Parcels

Revenues in Parcels, which comprises the Group's business-to-business, business-to-consumer and international parcel delivery service, were up 2.6% for the half year to £89.1m (2007: £86.8m). Operating profit decreased by 4.6% to £6.2m as the operating margin decreased by 0.5% to 7.0%. The impact of increased fuel prices early in the first half reduced the reported parcels margin by 0.8%.

Business-to-business, which represents approximately 82% of our Parcels revenues, has achieved good growth for the half year with revenues up 6.1%. 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 2.7% in the period. However, we have seen an improved trend of performance during the course of the half year as we continue to focus on the attractive niche opportunities that exist for us in this market with customers that require a premium service.

We have made further progress in the half year with our plans to improve the efficiency and effectiveness of our Parcels operation. We have strengthened operational management at all levels and introduced new mechanisms to manage our operations to achieve challenging targets. This tightened focus has resulted in a reduction in our vehicle fleet of some 10% and a reduction in agency labour of some 10% as we have planned our operations more effectively. These initiatives have resulted in a further improvement in service levels and an increase in the underlying operating margin.

The average diesel price over the first half year was some 32% above the average for the same period last year. Fuel surcharges to customers are standard practice in the parcels business, however there has historically been a time lag between fuel price rises and their being passed on to customers, principally due to giving customers fair notice of any price increases. This delay factor, felt mainly in the first 3 months of the period, impacted the parcels margin by 0.8%. We have now put in place a revised fuel surcharge mechanism which allows fuel price increases to be passed on to customers in the month incurred.

The performance of our Parcels operation has been encouraging. Given the economic environment, we are cautious about the second half of the year and are implementing a range of measures which will lead to further efficiency enhancements in this business.

Interim Statement

Mail

UK Mail showed further good growth in both revenues and profit. We have enjoyed continued success in attracting new business and in gaining further mail growth from existing customers, as a result of which revenues rose 34.4% to £80.1m (2007: £59.6m). We now enjoy a market share, by volume collected, of some 13%, compared to 11% six months ago.

UK Mail operating profits were up 30.2% to £5.6m, reflecting the good revenue growth offset by a slight decrease in the operating margin to 7.0% (2007: 7.2%).

Importantly, some 70% of our mail volume is based on delivering regular statements or statutory notifications and is therefore less exposed to fluctuations in levels of economic activity.

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

We continue to see good growth prospects for our mail business, through existing customers providing us with more of their mail volumes, new customers being attracted to the services we currently offer, and through product innovation enabling us to penetrate the next tier down, in terms of size of potential mail customers.

'iMail' is a next day mail service allowing customers of any size to electronically transmit mail items to our national network of mail centres where it is printed, enveloped and sent for next day delivery. Following positive response to customer trials, iMail (www.imail.co.uk) - is formally launched tomorrow.

'Disguised mail', which involves the concealing of sensitive mail items as ordinary mail, is fully live and the customer base is expanding as customers recognise the improved service levels and reduced cost we can provide.

'Returned mail', which will provide efficient returned mail handling for our customers, is due to go live before the end of the calendar year.

Such product innovation allows us to provide our customers with additional solutions and cost reductions, whilst significantly differentiating ourselves from our competition.

In December 2007 the Government announced an independent review of the postal services sector, a move that we welcomed. We look forward to the results being published in the coming weeks.

Specialist Services

Overall revenues in Specialist Services, comprising our nationwide palletised goods delivery service (UK Pallets) and same-day courier activities (UK Mail – Courier) increased by 21.1% to £25.3m (2007: £20.9m). Specialist Services operating profits increased by 33.3% to £1.2m (2007: £0.9m).

UK Pallets again performed well, with revenues up 6.6% to £16.2m, driven by improvements in the quality of the pallet network, management and marketing initiatives. The flexible options that the business offers to hauliers mean that our Pallets operation can benefit from more difficult economic times.

Revenues in our Courier business increased significantly by 59.6% to £9.1m, reflecting the successful implementation of our strategy 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 commenced a number of new contracts in the period, including a contract with Orange to support its CARE service.

We see further opportunities to build on the advantages that our nationwide network gives us, and on our proven ability to support national contracts with high service levels.

Finance costs

Net interest payable decreased to £0.1m (2007: £0.2m) due to the decrease in average net debt.

Interim Statement

Cash Flow and Balance Sheet

The Group has a very strong balance sheet with negligible net borrowings at the end of the period of £1.9m (2007: £3.5m). Net cash outflow for the period was £9.4m, and net cash inflow from operating activities totalled £1.7m. This included £5.6m of cash consumed in working capital, which reflects the normal first half trend in our business and which we expect to be largely reversed in the second half.

Capital expenditure for the period was £4.2m (2007: £1.8m). The capital expenditure for the period includes £1.8m on computer equipment, as we continue to develop our systems infrastructure, and £2.4m on property, plant and equipment to support the growth of our business.

Dividend

The Board has proposed an unchanged Interim Dividend of 6.4p (2007: 6.4p) to be paid on 16 January 2009 to shareholders registered on 5 December 2008 with an ex-dividend date of 3 December 2008.

Taxation

The taxation charge for the half year includes a one-off charge of £2.2m, due to the write-off of deferred tax balances to reflect the withdrawal of Industrial Buildings allowances, following the enactment in July 2008 of the Finance Act 2008. This amount is non-cash and represents the full year charge for this item.

Earnings per share

Adjusted basic earnings per share, to exclude the impact of the one-off taxation charge, increased 29.5% to 7.9p (2007: 6.1p). Basic earnings per share decreased 37.7% to 3.8p (2007: 6.1p) due to the one-off taxation charge.

CURRENT TRADING & OUTLOOK

We have made satisfactory progress during the period which has resulted in a healthy improvement in revenues and profitability.

We are clearly entering a more challenging economic period. However our business model, underpinned by a strong balance sheet, is robust and we continue to see opportunities to grow revenues across our business as we build on our strong customer relationships.

Our plans are based on moderate estimates of overall revenue growth combined with a strong focus on operational effectiveness to deliver increased profit. The second half to date has shown performance in line with management's expectations.

Guy Buswell

Chief Executive

Consolidated Income Statement

for the six months ended 30 September 2008

	Note	**Unaudited Six months to 30 September 2008 £m**	Unaudited Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Continuing operations				
Revenue	4	**194.5**	167.3	358.6
Cost of sales		**(168.5)**	(143.2)	(306.6)
Gross profit		**26.0**	24.1	52.0
Administrative expenses		**(19.9)**	(19.1)	(37.5)
Operating profit before exceptional items		**6.1**	5.0	14.5
Exceptional items	5	**-**	-	-
Operating profit	4	**6.1**	5.0	14.5
Finance costs		**(0.3)**	(0.4)	(0.7)
Finance income		**0.2**	0.2	0.4
Profit before taxation		**6.0**	4.8	14.2
Taxation	11	**(4.0)**	(1.5)	(4.5)
Profit for the period		**2.0**	3.3	9.7
Attributable to:				
Equity holders of the parent		**2.0**	3.3	9.7
Earnings per share - basic	12	**3.8p**	6.1p	18.0p
Earnings per share – diluted	12	**3.7p**	6.0p	17.5p

The notes on pages 10 to 17 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated Balance Sheet

at 30 September 2008

	Note	**Unaudited 30 September 2008 £m**	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
Assets				
Non-current assets				
Goodwill	6	**9.5**	9.5	9.5
Intangible assets	6	**1.7**	1.0	1.2
Investment properties	6	**1.0**	1.1	1.0
Property, plant and equipment	6	**37.6**	36.3	36.9
Deferred tax assets		**0.5**	-	0.5
		50.3	47.9	49.1
Current assets				
Inventories		**0.2**	0.2	0.3
Trade and other receivables		**60.9**	54.7	59.5
Cash and cash equivalents	9	**7.0**	7.1	16.4
		68.1	62.0	76.2
Liabilities				
Current liabilities				
Borrowings	9	**(1.7)**	(1.3)	(1.7)
Trade and other payables		**(52.5)**	(45.2)	(56.4)
Current tax liabilities		**(1.9)**	(1.7)	(2.1)
Provisions	10	**(0.8)**	(0.3)	(1.2)
		(56.9)	(48.5)	(61.4)
Net current assets		**11.2**	13.5	14.8
Non-current liabilities				
Borrowings	9	**(7.2)**	(9.3)	(8.5)
Deferred tax liabilities	11	**(3.1)**	(0.3)	(1.0)
Provisions	10	**(0.4)**	(0.8)	(0.4)
		(10.7)	(10.4)	(9.9)
Net assets		**50.8**	51.0	54.0
Shareholders' equity				
Ordinary shares	7	**5.5**	5.5	5.5
Share premium	7	**16.6**	16.6	16.6
Retained earnings		**28.7**	28.9	31.9
Total shareholders' equity		**50.8**	51.0	54.0

The notes on pages 10 to 17 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated Cash Flow Statement

for the six months ended 30 September 2008

	Note	**Unaudited Six months to 30 September 2008 £m**	Unaudited Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Continuing operations				
Operating activities				
Cash generated from operations	8	**3.9**	6.3	25.7
Finance income received		**0.2**	0.2	0.4
Finance costs paid		**(0.3)**	(0.4)	(0.7)
Taxation paid		**(2.1)**	(1.4)	(3.9)
Net cash inflow from operating activities		**1.7**	4.7	21.5
Investing activities				
Proceeds from disposal of property, plant and equipment		**0.2**	-	0.2
Purchase of property, plant and equipment	6	**(3.4)**	(1.7)	(5.0)
Purchase of intangible assets	6	**(0.8)**	(0.1)	(0.6)
Net cash outflow from investing activities		**(4.0)**	(1.8)	(5.4)
Financing activities				
Dividends paid to equity shareholders	13	**(5.8)**	(5.8)	(9.3)
Repayment of finance lease liabilities	9	**(0.3)**	(0.3)	(0.7)
Net proceeds from issue of ordinary share capital	7	**-**	0.3	0.3
Purchase of Business Post shares by the ESOT	7	**-**	(1.0)	(1.0)
Repayment of borrowings	9	**(1.0)**	(1.0)	(1.0)
Net cash outflow from financing activities		**(7.1)**	(7.8)	(11.7)
Net (decrease)/increase in cash and cash equivalents	9	**(9.4)**	(4.9)	4.4
Cash and cash equivalents at the start of the period	9	**16.4**	12.0	12.0
Cash and cash equivalents at the end of period	9	**7.0**	7.1	16.4

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

for the six months ended 30 September 2008

	Note	**Ordinary shares £m**	**Share premium £m**	**Retained earnings £m**	**Total equity £m**
Balance as at 1 April 2008		**5.5**	**16.6**	**31.9**	**54.0**
Equity dividends paid to shareholders	13	**-**	**-**	**(5.8)**	**(5.8)**
Employees' share option scheme					
- value of employee services		**-**	**-**	**0.6**	**0.6**
Transfer between reserves	7	**-**	**-**	**-**	**-**
Profit for the period		**-**	**-**	**2.0**	**2.0**
Balance as at 30 September 2008		**5.5**	**16.6**	**28.7**	**50.8**
Balance as at 1 April 2007		5.5	16.2	31.8	53.5
Equity dividends paid to shareholders	13	-	-	(5.8)	(5.8)
Employees' share option scheme					
- value of employee services		-	-	0.7	0.7
- proceeds from shares issued	7	-	0.3	-	0.3
Transfer between reserves		-	0.1	(0.1)	-
Purchase of Business Post shares by the ESOT		-	-	(1.0)	(1.0)
Profit for the period		-	-	3.3	3.3
Balance as at 30 September 2007		5.5	16.6	28.9	51.0

Notes to condensed consolidated half-yearly financial information

1 General information

The company is a public limited liability company incorporated and domiciled in England and the holding company of UK Mail Ltd, Business Post Ltd, BXT Limited and UK Pallets Ltd. The address of its registered office is 464 Berkshire Avenue, Slough, Berkshire, SL1 4PL.

The company is listed on the London Stock Exchange (LSE: BPG).

The condensed consolidated half-yearly financial information was approved for issue on 18 November 2008.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Within the notes to this financial information the half year periods to 30 September 2008 and 2007 are unaudited. Statutory accounts for the year ended 31 March 2008 were approved by the Board of directors on 20 May 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2 Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 30 September 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008, but had no material impact on the Group's results or financial position:

- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008
- IFRIC 14, 'The limit on a defined benefit asset, minimum funding requirements and their interaction', effective for annual periods beginning on or after 1 January 2008

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 March 2009 and have not been early adopted;

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009
- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009
- IAS 32 (amendment), 'Financial instruments: Presentation', effective for annual periods beginning on or after 1 January 2009
- IAS 39 (amendment), 'Recognition and measurement', effective for annual periods beginning on or after 1 July 2009
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008
- IFRIC 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008
- IFRS 1 (amendment) 'First time adoption of IFRS' and 'IAS 27, 'Consolidated and separate financial statements', effective for annual periods beginning on or after 1 January 2009
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009
- IFRS 3 (amendment), 'Business combinations', effective for annual periods beginning on or after 1 July 2009

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009

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

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

4 Segmental reporting

The Group's primary reporting format is business segments, consisting of Parcel Services, Mail Services, Specialist Services (UK Pallets and Courier) and Other (Network costs and Central Support).

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 segments - business activities

Six months ended 30 September 2008 (unaudited)

	Parcel Services £m	Mail Services £m	Specialist Services £m	Other £m	Eliminations £m	Group £m
Revenue	**89.1**	**80.1**	**25.3**	**-**	**-**	**194.5**
Operating profit/(loss)	**6.2**	**5.6**	**1.2**	**(6.9)**	**-**	**6.1**
Finance costs						**(0.3)**
Finance income						**0.2**
Profit before taxation						**6.0**
Taxation						**(4.0)**
Net profit attributable to equity shareholders						**2.0**
Capital expenditure	**1.4**	**0.6**	**0.9**	**1.3**	**-**	**4.2**
Depreciation and amortisation	**1.1**	**0.7**	**0.2**	**0.8**	**-**	**2.8**
Segment assets	**61.3**	**51.1**	**6.6**	**34.8**	**(35.4)**	**118.4**
Segment liabilities	**(47.2)**	**(32.5)**	**(9.0)**	**(14.3)**	**35.4**	**(67.6)**

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets.

Six months ended 30 September 2007 (unaudited)

	Parcel Services £m	Mail Services £m	Specialist Services £m	Other £m	Eliminations £m	Group £m
Revenue	86.8	59.6	20.9	-	-	167.3
Operating profit/(loss) before exceptional items	6.5	4.3	0.9	(6.7)	-	5.0
Finance costs						(0.4)
Finance income						0.2
Profit before taxation						4.8
Taxation						(1.5)
Net profit attributable to equity shareholders						3.3
Capital expenditure	1.0	0.1	-	0.7	-	1.8
Depreciation and amortisation	1.1	0.6	0.1	1.2	-	3.0
Segment assets	58.4	33.6	7.9	43.0	(33.0)	109.9
Segment liabilities	(30.9)	(22.9)	(21.5)	(16.6)	33.0	(58.9)

Year ended 31 March 2008 (audited)

	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
Capital expenditure	2.6	0.7	0.3	2.0	-	5.6
Depreciation and amortisation	1.9	1.2	0.3	2.6	-	6.0
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)

5 Exceptional items

	Unaudited Six months to 30 September 2008 £m	Unaudited Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Operations restructure	-	-	0.7
Fed Ex termination costs - release of provision	-	-	(0.7)
Exceptional items	-	-	-

Operations restructure

During the year ended 31 March 2008, 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 resulted in a number of structural changes in operational and sales management, and the establishment of specialist customer care centres. Redundancy costs of £0.7m were provided in the financial statements for the year ended 31 March 2008.

Fed Ex termination costs

Following the cessation of the contract to act as Fed Ex'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 managment restructuring costs, vehicle livery removal, uniform replacement and legal expenses.

A surplus provision of £0.7m was released in the financial statements in the year ended 31 March 2008, following a number of successful management initiatives to reduce the cost of relivery of the vehicle fleet.

6 Capital Expenditure

Six months ended 30 September 2008	**Unaudited Tangible and intangible assets £m**
Opening net book value 1 April 2007	**48.6**
Additions	**4.2**
Disposals	**(0.2)**
Depreciation and amortisation	**(2.8)**
Closing net book value 30 September 2008	**49.8**

Six months ended 30 September 2007	Unaudited Tangible and intangible assets £m
Opening net book value 1 April 2007	49.1
Additions	1.8
Disposals	-
Depreciation and amortisation	(3.0)
Closing net book value 30 September 2007	47.9

7 Share Capital

Capital	Number of shares	Ordinary shares £m	Share premium £m	Unaudited Total £m
Opening balance 1 April 2008	**54,674,237**	**5.5**	**16.6**	**22.1**
Proceeds from shares issued - employee share schemes	**-**	**-**	**-**	**-**
Transfer between reserves on exercise of share options	**-**	**-**	**-**	**-**
At 30 September 2008	**54,674,237**	**5.5**	**16.6**	**22.1**
Opening balance 1 April 2007	54,595,502	5.5	16.2	21.7
Proceeds from shares issued - employee share schemes	78,735	-	0.3	0.3
Transfer between reserves on exercise of share options	-	-	0.1	0.1
At 30 September 2007	54,674,237	5.5	16.6	22.1

The Company's Employee Share Ownership Trust ("ESOT") holds shares in the Company for subsequent transfer to employees under the Long Term Incentive Plan. At 31 March 2008 the ESOT held a total of 624,817 shares (31 March 2007: 414,252 shares). During June 2007, the ESOT acquired 210,565 shares through purchases on the London Stock Exchange, and as a result held 624,817 shares as at 30 September 2008 (30 September 2007: 624,817 shares). The total amount paid to acquire the shares in June 2007, was £1.0m, which has been deducted from shareholders' equity.

During the six months to 30 September 2008 no share options were exercised. During the six months to 30 September 2007, 78,735 shares were allotted on the exercise of share options for an aggregate cash consideration of £0.4m, at a weighted average exercise price of £3.94 per share.

8 Reconciliation of profit to net cash flow generated from operations

	Unaudited Six months to 30 September 2008 £m	Unaudited Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Profit for the period	**2.0**	3.3	9.7
Taxation	**4.0**	1.5	4.5
Finance costs payable	**0.3**	0.4	0.7
Finance income receivable	**(0.2)**	(0.2)	(0.4)
Exceptional items	**-**	-	-
Depreciation and amortisation	**2.8**	3.0	5.9
Share-based payments	**0.6**	0.8	1.3
Decrease/(increase) in inventories	**0.1**	-	(0.1)
(Increase)/decrease in trade and other receivables	**(1.4)**	1.4	(3.3)
(Decrease)/increase in trade and other payables	**(3.9)**	(3.6)	7.2
(Decrease)/increase in provisions	**(0.4)**	(0.3)	0.2
Net cash inflow generated from operations	**3.9**	6.3	25.7

9 Reconciliation of net debt

	Audited At 1 April 2008 £m	**Cash flow £m**	**Other £m**	**Unaudited At 30 September 2008 £m**
Cash at bank and in hand	**16.4**	**(9.4)**	**-**	**7.0**
Net cash and cash equivalents	**16.4**	**(9.4)**	**-**	**7.0**
Debt due within one year	**(1.0)**	**1.0**	**(1.0)**	**(1.0)**
Debt due after one year	**(5.0)**	**-**	**1.0**	**(4.0)**
Finance leases	**(4.2)**	**0.3**	**-**	**(3.9)**
Net debt	**(10.2)**	**1.3**	**-**	**(8.9)**
Net cash/(debt)	**6.2**	**(8.1)**	**-**	**(1.9)**

	Audited At 1 April 2007 £m	Cash flow £m	Other £m	Unaudited At 30 September 2007 £m
Cash at bank and in hand	12.0	(4.9)	-	7.1
Net cash and cash equivalents	12.0	(4.9)	-	7.1
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(6.0)	-	1.0	(5.0)
Finance leases	(4.9)	0.3	-	(4.6)
Net debt	(11.9)	1.3	-	(10.6)
Net cash/(debt)	0.1	(3.6)	-	(3.5)

	Audited At 1 April 2007 £m	Cash flow £m	Other £m	Audited At 31 March 2008 £m
Cash at bank and in hand	12.0	4.4	-	16.4
Bank overdrafts	-	-	-	-
Net cash and cash equivalents	12.0	4.4	-	16.4
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(6.0)	-	1.0	(5.0)
Finance leases	(4.9)	(0.7)	-	(4.2)
Net debt	(11.9)	(1.7)	-	(10.2)
Net cash/(debt)	0.1	6.1	-	6.2

10 Provision for liabilities and charges

Six months ended 30 September 2008	**Properties £m**	**Claims £m**	**Unaudited Total £m**
Opening amount at 1 April 2008	**1.5**	**0.1**	**1.6**
Utilised during the period	**(0.3)**	**(0.1)**	**(0.4)**
Closing amount at 30 September 2008	**1.2**	**-**	**1.2**

Six months ended 30 September 2007	Properties £m	Claims £m	Unaudited Total £m
Opening amount at 1 April 2007	1.1	0.3	1.4
Additional provisions charged to the income statement	-	0.1	0.1
Unused amounts released to the income statement	-	(0.1)	(0.1)
Utilised during the period	-	(0.3)	(0.3)
Closing amount at 30 September 2007	1.1	-	1.1

11 Income taxes

As a result of the enactment of the UK Finance Act 2008 during the period, UK Industrial Building Allowances ('IBA's') are to be gradually phased out over the period to 31 March 2011. This has resulted in a one-off estimated deferred tax charge to the income statement of £2.2m (2007: nil).

The income tax expense recognised is based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, together with the one-off adjustment for the phasing out of IBA's noted above. The estimated average annual tax rate used for the year to 31 March 2009 excluding the one-off IBA charge is 28.9% (2008: 30.8%).

12 Earnings per share

Earnings per share attributable to equity holders of the company arises from continuing operations as follows:

	Half year ended 30 September (unaudited) (pence per share)	
	2008	2007
Earnings per share for profit from continuing operations attributable to the equity holders of the company		
- basic	**3.8p**	6.1p
- diluted	**3.7p**	6.0p

Adjusted earnings per share have been calculated excluding the one-off IBA deferred tax adjustment (see note 11)

Adjusted earnings per share for profit from continuing operations attributable to the equity holders of the company		
- basic	**7.9p**	6.1p
- diluted	**7.7p**	6.0p

13 Dividends

The final dividend for the year ended 31 March 2008 of 10.8p per share (2007: 10.8p) was paid on 25 July 2008. The £5.8m distribution (2007: £5.8m) is reflected in the accounts for the half year ended 30 September 2008.

In addition, the directors propose an interim dividend of 6.4p per share (2007: 6.4p per share) payable on 16 January 2009 to shareholders who are on the register at 5 December 2008. This interim dividend, amounting to £3.5m (2007: £3.5m) has not been recognised as a liability in this half-yearly financial report.

14 Capital commitments

Group capital expenditure committed, for the purchase of property, software, plant and equipment, but not provided for in these financial statements amounted to £0.3m (at 30 September 2007: £1.4m; at 31 March 2008: £0.5m).

15 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.

16 Risks and uncertainties

The potential risks and uncertainties that may affect the Group's performance were discussed on pages 63 and 64 of the Group's Annual Report and Accounts for the 2008 financial year. These included regulatory, market, price, interest rate and credit risk. It is considered that these still remain the most likely areas of potential risk and uncertainty, with the position unchanged from that set out in the 2008 Annual Report and Accounts.

17 Seasonality

Historically, the Group experiences marginally greater demand for its parcels and palletised goods collection and delivery services in the second half of the year, as consignments increase in advance of the Christmas season. Such trends are not discernible within either the mail or courier markets.

Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules ('DTR) of the United Kingdom's Financial Services Authority DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Business Post Group plc are listed in the Business Post Group Annual Report for the year ended 31 March 2008, with the exception that the following changes took place during the six months to 30 September 2008: Dennis Clark retired on 9 July 2008 and Trevor Jenkins was appointed on 1 September 2008. A list of current directors is maintained on the Business Post Group website : www.businesspost.biz.

By order of the board.

Guy Buswell, Chief Executive
18 November 2008

Steven Glew, Finance Director
18 November 2008

Independent review report to Business Post Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2008, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Shareholders' Equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
West London
18 November 2008

Business Post Group plc

Head Office
464 Berkshire Avenue
Slough
Berks SL1 4PL

Tel: 01753 706070
Fax: 01753 706071
www.businesspost.biz

National Hub
Express House
Wolseley Drive
Heartlands
Birmingham B8 2SQ

Tel: 0121 335 1111
Fax: 0121 335 1160