

EXEL FREIGHT MANAGEMENT (UK) LIMITED

Company number: 577184

Annual Report and Financial Statements

For the Year Ended 31 December 2008

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EXEL FREIGHT MANAGEMENT (UK) LIMITED

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EXEL FREIGHT MANAGEMENT (UK) LIMITED

Company information

Directors	K R Olsson Exel Nominee No 2 Limited Exel Secretarial Services Limited
Secretary	Exel Secretarial Services Limited
Company number	577184
Registered office	Ocean House The Ring Bracknell Berkshire RG12 1AN
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX

EXEL FREIGHT MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2008.

Principal activity and business review

The Company is primarily engaged in providing cargo transportation logistics management, including international air and ocean freight forwarding, customs brokerage and warehousing and distribution services. Beyond its traditional freight forwarding and customs brokerage services, the Company's value-added logistics and information systems help its customers to streamline operations, reduce inventories, increase speed and reliability of worldwide deliveries and, ultimately, improve management of the customer's supply chain.

On 3 August 2009 DHL Global Forwarding (UK) Limited, a fellow subsidiary of Deutsche Post AG, entered into an agreement to purchase 100% of the company's share capital from MSAS Global Logistics Limited for a cash consideration of £9,999,500. The agreement was completed during September 2009.

The Company has appointed DHL Global Forwarding (UK) Limited as its undisclosed agent in the provision of freight forwarding services within the DHL Group worldwide network and to third party organisations. All trading is conducted through DHL Global Forwarding (UK) Limited, with all transactions in pounds sterling.

The Company is a wholly owned subsidiary of a group headed by Deutsche Post AG, a Company incorporated in Germany. The Company is exempt from the requirement to present consolidated financial statements by virtue of section 228 of the Companies Act 1985 and consequently these financial statements present information about the Company as an individual undertaking and not about its group.

The Company made a profit in 2008 of £917,000 compared to £4,366,000 in 2007. Major factors in this change were:

	£'000
Impact of increase in turnover	1,342
Impact of falling margins	(2,662)
Impact of exceptional items	(3,856)
Reduction in personnel costs	1,494
Increase in management fee	(240)
Net interest savings	161
Other	312
Total variance	(3,449)

In the 2008 results £1,928,000 is included in other operating charges being the cost of terminating agency agreements early. The Directors believe that the remaining provision of £233,000 is sufficient to cover the remaining liabilities in respect of the early termination of agency agreements.

The Directors do not recommend the payment of a dividend (2007: £nil).

Risk management

To ensure that opportunities and risks are identified, analysed, evaluated and managed early on, the Deutsche Post Group operates a Group-wide opportunity and risk management system that is integrated into the existing management and controlling processes. The close intermeshing of opportunity and risk information with this tool enables the Group to guarantee the regular exchange of information between controlling and the management responsible using standardised processes. The aim is to reinforce the culture of opportunity and risk awareness, which is firmly anchored in the Group, and to promote cross-divisional communication of opportunity and risk information. This opportunity and risk control process facilitates the future success of the Company for the long term.

The volume of the Company's business is broadly linked to the general economic situation in individual countries and regions, and to trade relations between them. Negative economic trends in countries and regions important to the Company can pose risks for our business activities. We do not currently perceive any material general economic risks facing the Company.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2008

Performance and profitability risks

The loss of major customers due to aggressive competition or, for instance, due to bankruptcy is a constant risk facing logistics service providers. While this risk can be limited by far sighted management, it cannot be entirely neutralised.

Personnel risks

The performance of our employees is decisive in ensuring the growth and further development of the Company. We compete with other companies for highly qualified professionals and managers. As part of the Deutsche Post Group, we are able to offer employees a variety of development prospects, a broad range of continuing education options and performance based compensation. Satisfied employees and a low turnover rate minimise the risk of losing experience and knowledge.

Information technology risks

The Company is protected against unauthorised access to data and data manipulation through various measures relating to our employees, organisation, applications systems and networks. We use firewall systems, virus scanners and access controls at operating system level to protect against data security risks. These standard activities serve to protect the confidentiality, integrity and authenticity of this data.

Financial risk management

The Company's operations are totally related to the activities of the Deutsche Post World Net group of companies. As such its management of financial risk is dependent on the policies and risk management strategies of the ultimate parent company, Deutsche Post AG. Risk management policies where appropriate are approved by the board of Directors, are consistent with Deutsche Post AG financial risk policies, and are implemented by the Company's finance department.

The Company does not use derivative financial instruments.

Future business

The current economic downturn has had a negative impact on the company in the latter part of 2008 and early 2009, to which the Directors have taken actions to address. Despite the overall freight market reducing in the first quarter of 2009 the company remains profitable.

Longer term growth in world cargo movements is predicted to be between 5% to 6%, but the current recession will delay the return to these annual growth rates.

In 2008, the Company focus on the Logistics division's First Choice activities, will provide a deeper insight into what our customers expect from us and allow us to selectively cater to those needs. First Choice is the systematic and long-range approach that the company, as part of the Deutsche Post World Net group, is using to increase customer satisfaction and loyalty. This is achieved by designing all products, processes and activities in a way that will enable us to offer the best possible service quality to our customers. To achieve this goal and truly become customers' first choice, Deutsche Post World Net (DPWN) has developed a comprehensive system comprising processes, management tools and employee training. This system is being rolled out to all group companies including Exel Freight Management (UK) Limited.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT (continued) For the year ended 31 December 2008

Key performance indicators

The Company has identified the following 2 key performance indicators that are regarded as central to its future profitability. The actual performance against these indicators is shown with prior year comparatives.

	2008	2007
	%	%
Growth / (Decrease) in turnover	4.8	(14.6)
Change in operating profit	<u>(79.7)</u>	<u>(191.4)</u>

The increase in turnover was due to the strong trading conditions in the early part of the year. The operating profit remains positive and actually increased from £2,599,000 in 2007 to £2,845,000 in 2008 excluding exceptional items.

In the opinion of the Directors these financial statements give a fair review of the development of the business during the year and of its position at the end of the year.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors who held office during the year and up to the date of signing these financial statements are given below:

Exel Nominee No 2 Limited
Exel Secretarial Services Limited
K R Olsson

Employees

The Company's policy is to give disabled people fair consideration for all types of vacancies and to provide equal opportunities for training, career development and promotion in line with skills and abilities.

The Company is committed to the development of a working environment which encourages constructive and flexible forms of employee participation and which offers employees the opportunity to become involved in matters which affect them. Employees are kept regularly informed through an electronic information system, global newsletters, meetings, team briefings and audio bulletins on matters affecting them as employees and on issues affecting their performance.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT (continued) **For the year ended 31 December 2008**

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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, 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

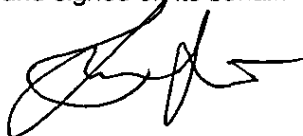
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself /herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditors

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

This report was approved by order of the Board on **29 OCTOBER 2009**
and signed on its behalf.



Authorised signatory

For and on behalf of

Exel Secretarial Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXEL FREIGHT MANAGEMENT (UK) LIMITED

We have audited the financial statements of Exel Freight Management (UK) Limited for the year ended 31 December 2008 which comprise of Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the 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 read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report and the Directors and Advisors page. 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. 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

West London

Date: 29 October 2009

EXEL FREIGHT MANAGEMENT (UK) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	1,2	171,639	163,642
Cost of sales		<u>(145,503)</u>	<u>(136,187)</u>
Gross profit		26,136	27,455
Administration expenses excluding exceptional items		<u>(23,291)</u>	<u>(24,856)</u>
Exceptional items	4	<u>(1,928)</u>	<u>1,928</u>
Administration expenses		<u>(25,219)</u>	<u>(22,928)</u>
Operating profit	3	917	4,527
Interest receivable and similar income	6	-	89
Interest payable and similar charges	7	<u>-</u>	<u>(250)</u>
Profit on ordinary activities before taxation		917	4,366
Tax on profit on ordinary activities	8	<u>-</u>	<u>-</u>
Profit for the financial year	16,17	<u>917</u>	<u>4,366</u>

All amounts relate to continuing operations.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

EXEL FREIGHT MANAGEMENT (UK) LIMITED**BALANCE SHEET****As at 31 December 2008**

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible fixed assets	9	2,072	2,446
Investments in group undertakings	10	12,825	12,825
		<u>14,897</u>	<u>15,271</u>
Current assets			
Debtors	11	13,057	13,697
Cash at bank and in hand		<u>2</u>	<u>1,974</u>
		13,059	15,671
Creditors: amounts falling due within one year	12	(13,869)	(16,923)
Net current liabilities		<u>(810)</u>	<u>(1,252)</u>
Total assets less current liabilities		14,087	14,019
Provisions for liabilities and charges	13	(816)	(1,665)
Net assets		<u>13,271</u>	<u>12,354</u>
Capital and reserves			
Called up share capital	15	3,000	3,000
Share premium account	16	11,922	11,922
Profit and loss account	16	(1,651)	(2,568)
Total shareholders' funds	17	<u>13,271</u>	<u>12,354</u>

The financial statements on pages 7 to 18 were approved by the Board on
And were signed on its behalf

29 OCTOBER 2009



K R Olsson

Director

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1 Accounting policies

The accounting policies adopted by the Company are set out below and are consistent with those of the previous year.

(a) Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

(b) Basis of preparation

The Company is itself a subsidiary Company and is exempt from the requirement to prepare group financial statements by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The publicly available group financial statements of Deutsche Post AG contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by FRS 1 (Revised 1996) 'Cash flow statements' whereby it is not required to publish its own cash flow statement.

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Deutsche Post AG, whose financial statements are publicly available.

(c) Revenue recognition

Turnover represents the amounts (net of VAT and similar taxes, trade discounts and intra-group transactions) derived from the provision of services to customers in respect of the Company's principal activity of transportation services and logistics management during the year. Revenue is generally recognised upon performance of delivery of goods and services provided. Airline transport revenue is recognised when confirmation is received that the flight has taken off. Ocean transport revenue is recognised on sail date. Cartage revenue is recognised on delivery of goods.

The Company continues to trade under an undisclosed agency agreement with DHL Global Forwarding (UK) Limited. As the risks and rewards of the sales under this agency agreement remain within this Company the revenue and cost of sales have been recognised in these financial statements. A management fee has been paid to DHL Global Forwarding (UK) Limited under this agency agreement and has been included in other operating charges.

(d) Taxation

The Company does not provide for UK corporation tax or deferred tax because a fellow group undertaking, Exel Limited, has undertaken to discharge the Company's liability to UK corporation tax.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

1 Accounting policies (continued)

(e) Tangible fixed assets and depreciation

Fixed assets are stated at historic purchase cost less accumulated depreciation and less permanent reductions in value. Cost includes interest on the funding of major assets until the construction of the asset is complete.

Depreciation of tangible fixed assets is charged evenly over their estimated useful economic lives as follows:

Short leasehold buildings	Over the life of the lease
Plant and equipment	3 to 10 years

Assets that are not expected to be held for the whole of their useful economic lives are written down to estimated residual values at disposal.

Disposals of land and buildings are taken into account when a binding contract to sell has been entered into prior to the balance sheet date, provided that the disposal has been completed before the financial statements are approved.

The carrying values of tangible fixed assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

(f) Leased assets

Rental costs of operating leases are charged against operating profit as incurred.

(g) Pensions

The Exel Group maintains UK pension schemes for the funding of retirement benefits for scheme members during their working lives in order to pay benefits to them after retirement and to their dependants after their death. It is not possible to identify the company's share of the underlying assets and liabilities of the pension scheme. Accordingly, under FRS 17, the schemes are treated as if they were defined contribution pension schemes. The amount charged to the profit and loss account in respect of the pension costs is the contributions payable in the year. The Company does not maintain any other post-retirement benefits.

(h) Foreign currency translation

All transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by forward foreign currency contracts. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date or if appropriate at a forward foreign currency contract rate. Exchange differences arising on foreign currency transactions are included in the profit and loss account.

(i) Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment, if any. These provisions are reversed when they are no longer required. Impairment reviews are conducted by the directors on an annual basis.

(j) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

2 Turnover

The Company carries on a single class of business.

The Company has taken advantage of the exception available under the terms of Statement of Standard Accounting Practice 25 "Segmental Reporting" not to disclose the geographical segment analysis, as in the opinion of the Directors it would be seriously prejudicial to the business to disclose this information.

3 Operating profit

The following amounts have been charged in arriving at the operating profit:

	Note	2008 £'000	2007 £'000
Raw materials, consumables and other purchases		442	421
Staff costs			
Wages and salaries		9,079	10,482
Social security costs		818	943
Other pension costs	14	1,006	987
Redundancy		67	53
Depreciation		374	443
Operating lease rentals			
Land and buildings		1,617	1,927
Plant and equipment		38	174
Auditors' remuneration – audit services		54	79
Increase in dilapidation provision		192	169

4 Exceptional items

	2008 £'000	2007 £'000
Exceptional items	1,928	(1,928)

During 2007 the Company released £1,928,000 of a provision made in the prior year for the early termination of an agency agreement on the basis of information available at the time of signing the accounts. In 2008 the Company made a final settlement on this agency agreement which resulted in a charge of £1,928,000 to Profit and Loss Account for the company.

EXEL FREIGHT MANAGEMENT (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2008****5 Directors' emoluments**

	2008	2007
	£'000	£'000
Aggregate emoluments	<u>-</u>	<u>308</u>

During the year no emoluments were paid to any of the Director's for their services to the company. One Director received remuneration for services provided to the Deutsche Post AG group from a fellow subsidiary.

Included in the 2007 emoluments is £211,000 paid as compensation for loss of office.

No Retirement benefits are accruing for any director in 2008 (2007: 1 Directors under the Ocean Nestor defined benefit pension scheme).

	2008	2007
	£'000	£'000
Amounts in respect of the highest paid Director were as follows:		

Aggregate emoluments	-	308
Defined benefit amounts:		
Accrued pension at the year end	<u>-</u>	<u>7</u>

The highest paid Director did not exercise share options during the year (2007: nil) nor did they receive shares under a long-term incentive scheme (2007: nil).

Employees

The average number of monthly employees, including Directors, during the year was as follows:

	2008	2007
	number	number
Operations	233	291
Sales and marketing	18	17
Management and administration	33	30
	<u>284</u>	<u>338</u>

6 Interest receivable and similar income

	2008	2007
	£'000	£'000
Interest receivable on group bank accounts	-	88
Other interest receivable	<u>-</u>	<u>1</u>
	<u>-</u>	<u>89</u>

7 Interest payable and similar charges

	2008	2007
	£'000	£'000
Interest payable on group bank accounts	<u>-</u>	<u>(250)</u>

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

8 Tax on profit on ordinary activities

A fellow group undertaking, Exel Limited, has undertaken to discharge the Company's liability to UK corporation tax, therefore no provision has been made for UK corporation tax or deferred tax.

2008	2007
£'000	£'000

Analysis of tax charge in year

Current tax	-	-
Deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below:

2008	2007
£'000	£'000

Profit on ordinary activities before taxation	917	4,366
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	261	1,310
Effects of:		
Expenses not deductible for tax purposes	301	347
Non taxable income	-	(578)
Accelerated tax depreciation	60	118
Other timing differences	(456)	199
Group relief claimed	(166)	(1,396)
Current tax charge	-	-

The rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profit / (loss) for this accounting period is taxed at an effective rate of 28.5%. Profits or losses of future periods will be taxed at 28%.

A summary of the Company's net unrecognised deferred tax asset is as follows:

2008	2007
£'000	£'000

Accelerated tax depreciation	572	558
Other timing difference	81	186
Net Deferred tax asset	653	744

No deferred tax is recognised because the Company's UK corporation tax liabilities are borne by Exel Ltd, and as such no economic benefit accrues to the Company under the UK tax group's Centralised Tax Accounting arrangements. Deferred tax is calculated at a rate of 28% (2007 28%).

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2008

9 Tangible fixed assets

	Short Leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2008	2,836	6,367	9,203
Disposals	-	-	-
At 31 December 2008	2,836	6,367	9,203
Accumulated depreciation			
At 1 January 2008	1,858	4,899	6,757
Charge for the year	122	252	374
Disposals	-	-	-
At 31 December 2008	1,980	5,151	7,131
Net book amount			
At 31 December 2008	856	1,216	2,072
At 31 December 2007	978	1,468	2,446

10 Investments in group undertakings

	Shares in subsidiary undertakings £'000	Loan to group undertaking £'000	Total £'000
Cost			
At 1 January and 31 December 2008	1,640	11,600	13,240
Provisions			
At 1 January and 31 December 2008	415	-	415
Net book amount			
At 31 December 2008	1,225	11,600	12,825
At 31 December 2007	1,225	11,600	12,825

The loan is 8% redeemable unsecured loan stock issued by a fellow subsidiary undertaking, McGregor Sea and Air Services Limited. The Company has waived all payments of interest for the years ended 31 December 2008 and 2007. The loan stock is redeemable at par either on demand by the Company or at the option of McGregor Sea and Air Services Limited. However, it is unlikely that the Company will request repayment of the loan stock in the foreseeable future.

The following companies are subsidiary undertakings:

	Percentage of ordinary share capital	Country of registration
Henderson Line Limited	100%	Scotland
Exel Logistics (Northern Ireland) Limited	100%	Northern Ireland
Exel Middle East FZE	100%	United Arab Emirates

The principal activity of the above undertakings is that of shipping and forwarding agents.

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the aggregate amount included in the balance sheet.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

11 Debtors

	2008 £'000	2007 £'000
Trade debtors	9,864	9,103
Amounts owed by group undertakings	2,950	4,120
Other debtors	-	25
Prepayments and accrued income	243	449
	13,057	13,697

All amounts owed by group undertakings are in relation to the trading activities of the company and therefore do not attract any interest and are repayable on demand.

12 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	-	1,786
Amounts owed to group undertakings	12,813	12,813
Other creditors	597	888
Other taxes and social security	278	529
Accruals and deferred income	181	907
	13,869	16,923

Included in amounts owed to group undertakings is an unsecured loan from a fellow subsidiary undertaking, McGregor Sea and Air Services Limited, for £11,600,000 (2007: £11,600,000) which carries an interest rate of 8% and is repayable on demand. McGregor Sea and Air Services Limited has waived its right to this interest. All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

13 Provisions for liabilities and charges

	Dilapidation provision £'000	Restructuring provision £'000	Total £'000
At 1 January 2008	437	1,228	1,665
Additions	192	1,928	2,120
Utilisations	(46)	(2,923)	(2,969)
At 31 December 2008	583	233	816

Provision for dilapidation represents the current estimated costs to repair leased properties, which are required to be made good before the properties are returned at the end of the leases. The provision is made on a property-by-property basis and the timing of utilisation will differ for each property.

The restructuring provision represents the current estimated costs for the settlement with agents with whom the company are severing relationships as a result of the integration of the company in to the Deutsche Post group. The timing of the utilisation will differ for each agent.

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

14 Pensions

The Company participates in contributory funded pension schemes operated by the Deutsche Post World Net ('DPWN') Group in the United Kingdom.

The three major UK schemes for employees of the Company are the Exel Retirement Plan ('ERP'), the Ocean Nestor Pension Scheme ('OCN') and the Tibbett & Britten Pension Scheme ('T&B'). These schemes include both defined benefit and defined contribution type arrangements and are administered by external trustees independently of the DPWN Group's finances.

Employer and employee contributions to the principal schemes are determined across participating companies in the Group in consultation with external professional actuaries whose latest valuations were made as at 31 March 2006. The charge in respect of the schemes is the regular cost of benefits accruing during the year.

For FRS 17 disclosure purposes, the latest actuarial valuations of the schemes were updated by Watson Wyatt LLP to assess the liabilities of the schemes at 31 December 2008 and the schemes' assets were stated at their market value at 31 December 2008. On this basis, the aggregate deficit in the UK schemes was £55.8 million at 31 December 2008 (2007: surplus of £247.7 million).

It is not possible to identify the Company's share of the underlying assets and liabilities of the pension schemes. Accordingly, under FRS17, the schemes are treated as if they were defined contribution schemes in the accounts of the Company. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. The difference between contributions payable in the year and contributions actually paid is shown as an accrual or prepayment in the balance sheet.

The full FRS17 disclosures are included within the financial statements of DHL Services Limited (formerly Exel Management Services Limited), available from Solstice House, 251 Midsummer Boulevard, Central Milton Keynes, MK9 1EQ.

As from 1 April 2003, the defined benefit and defined contribution arrangements existing at that date under the ERP and OCN schemes were closed to new employees. As from 1 November 2002, a substantial section of the defined benefit arrangement under the T&B scheme was closed to new employees. Defined contribution sections were established for new employees after these dates within the existing schemes.

The cost of the contributions to the pension schemes amounts to £1,006,000 (2007: £987,000) and are based on the pension costs across the group as a whole.

The unpaid contributions outstanding at the year-end, included in 'Accruals and deferred income', were £167,000 (2007: £297,000).

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

15 Called up share capital

	2008 £'000	2007 £'000
Authorised		
3,000,000 (2007: 3,000,000) ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid		
2,999,510 (2007: 2,999,510) ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>

16 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2008	11,922	(2,568)
Retained profit for the financial year	-	917
At 31 December 2008	<u>11,922</u>	<u>(1,651)</u>

17 Reconciliations of movements in total shareholders' funds

	2008 £'000	2007 £'000
Retained profit for the financial year	917	4,366
Opening shareholders' funds	<u>12,354</u>	7,988
Closing shareholders' funds	<u>13,271</u>	<u>12,354</u>

18 Financial commitments - Operating leases

The Company had commitments during the next financial year in respect of non-cancellable operating leases as follows:

	2008	2007		
	Land and buildings £'000	Plant and equipment £'000	Land and buildings £'000	Plant and equipment £'000
Operating leases which expire:				
within one year	16	13	161	19
Between one and two years	1,061	18	21	14
Between two and five years	-	11	1,061	5
after five years	340	-	340	-
	<u>1,417</u>	<u>42</u>	<u>1,583</u>	<u>38</u>

EXEL FREIGHT MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

19 Contingent liabilities

The nature of the Company's business and the extent of its operations are such that it is from time to time involved in legal proceedings, as plaintiff or defendant. No such current proceedings are expected to have a material effect on the Company.

For VAT purposes, the Company is grouped with other undertakings in a VAT group; under these arrangements the Company has a joint and several liability for amounts owed by those undertakings to HM Revenue & Customs.

For UK corporate tax purposes the Company has made collective payment arrangements with other undertakings in the Exel Group; under these arrangements the Company has a joint and several liability for amounts owed by those undertakings to the Inland Revenue.

20 Post balance sheet event

On 3 August 2009 DHL Global Forwarding (UK) Limited, a fellow subsidiary of Deutsche Post AG, entered into an agreement to purchase 100% of the company's share capital from MSAS Global Logistics Limited for a cash consideration of £9,999,500. The agreement was completed during September 2009.

21 Immediate and ultimate parent undertakings and controlling party

The Company's immediate parent undertaking is DHL Global Forwarding (UK) Limited, which is registered in England. The Company's ultimate parent undertaking and controlling party is Deutsche Post AG, a Company incorporated in Germany. This is the only group of which the Company is a member for which group financial statements are prepared. Copies of the financial statements of Deutsche Post AG can be obtained from Deutsche Post AG, Headquarters, Investor Relations, 53250 Bonn, Germany.