

RED STAR PARCELS LIMITED
(REGISTERED NUMBER 03095533)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

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RED STAR PARCELS LIMITED

Report and financial statements 2006

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RED STAR PARCELS LIMITED

Officers and Professional advisers

Directors

J Barber
W Flick
HM Mensing
E Plamp

Company Secretary

E Plamp

Registered office

UPS House
Forest Road
Feltham
Middlesex
TW13 7DY

Solicitors

Barlow Lyde & Gilbert LLP
Beaufort House
15 St Botolph Street
London
EC3A 7NJ

Bankers

Barclays Bank
London Corporate Centre
PO Box 46116
London
EC4N 8WB

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
4 Brindley Place
Birmingham
B1 2HZ

RED STAR PARCELS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the 15 month period ended 31st December 2006

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Red Star Parcels Limited was acquired by UPS on 1st October 2005

Red Star Parcels Limited is a 100% wholly owned subsidiary of Lynx Express Limited which is owned by UPS UK (Holdings) Limited

Red Star Parcels Limited is managed within the Lynx Express Limited business

Whilst the business has continued to trade in traditional markets and provide the same service offerings, this 15 month period represents the first under UPS ownership. As such, the focus has been on integration and to capitalise on the benefits of combining the Lynx and UPS businesses

The turnover for the period reached £17.1m (2005: £12.2m). The margin increased to 5.2% (2005: 1.5%). The increase in turnover and margin was attributable to the introduction of a new customer during the period and the 15 month period.

The Net Liabilities position was £17.8m (2005: £18.6m). The movement was attributable to the decrease in amounts owed to group subsidiaries.

Operationally, this period represented the first phase of a three year plan to fully integrate and produce a unified network. Building on the integration and unified network the directors remain confident that the business will continue to develop and deliver strong returns.

Competitive pressures in the market are a continuing risk to all those operating in the industry. The company manages the risk by providing and implementing innovative UPS services which adds greater value to those services.

RESTATEMENT

The comparatives have been restated as detailed in note 2 for FRS17 (Retirement benefits) as specified for companies with periods commencing on or after 1st January 2005.

RESULTS AND DIVIDENDS

The results for the period are set out on page 6 of the financial statements and show an operating profit of £880,000 (2005: £178,000) on turnover of £17,058,000 (2005: £12,171,000). The directors have not proposed a dividend (2005: £0).

DIRECTORS

Directors who have served throughout the year and to the date of this report unless otherwise indicated are as follows:

W. Flick

H. M. Mensing

S. Denison appointed 24 May 2006, resigned 11 September 2006

J. Barber appointed 24 May 2006

W. F. Caplan resigned 24 May 2006

E. Plamp resigned 24 May 2006, reappointed 11 September 2006

None of the directors in office at the date of this report had a beneficial interest in any contract or arrangement of significance to which the company was a party during the period.

DIRECTORS' INTERESTS

No director had any interest in the share capital of the company during the period. There are no disclosable interests in the shares of other group companies other than noted below.

RED STAR PARCELS LIMITED

**DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006
(CONTINUED)**

FINANCIAL RISK MANAGEMENT

Foreign Exchange risk

The directors are of the view that the company is not exposed to any significant foreign exchange risk

Liquidity Risk

The company is dependent on its related company for continued financial support and the directors are satisfied that the financial support will be available when required

CHARITABLE AND POLITICAL CONTRIBUTIONS

No charitable or Political donations were made during the year

AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by



E PLAMP
Company Secretary
29th November 2007

UPS House
Forest Road Feltham Middlesex, TW13 7DY

RED STAR PARCELS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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,
- 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 that 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 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 irregularities.

RED STAR PARCELS LIMITED

Independent auditors' report to the members of Red Star Parcels Limited

We have audited the financial statements of Red Star Parcels Limited for the 15 month period ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total recognised Gains and Losses and the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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).

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs of the company as at 31 December 2006 and of its profit for the period 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham, UK

~~10th~~ November 2007

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RED STAR PARCELS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	<u>Notes</u>	2006 <u>15 months</u> £'000	Restated-Note 2 2005 <u>52 weeks</u> £'000
TURNOVER	1	17,058	12,171
Operating charges	3	<u>(16,178)</u>	<u>(11,993)</u>
OPERATING PROFIT		880	178
Interest receivable	4	40	100
PROFIT ON ORDINARY ACTIVITIES BEFORE		920	278
Tax on profit on ordinary activities	7	-	(24)
PROFIT FOR THE PERIOD	13	920	254

The notes on pages 9 to 16 form part of these financial statements

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

RED STAR PARCELS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	2006 £'000	<u>Restated - Note 2</u> 2005 £'000
Profit for the period transferred to reserves	920	254
Actuarial loss relating to the Pension Scheme	(160)	(20)
UK deferred tax charge attributable to the loss	48	6
Total recognised profit relating to the period	<u>808</u>	<u>240</u>
Prior year restatement	217	
Total recognised gains recognised since the last financial statements	<u>1,025</u>	<u></u>

RED STAR PARCELS LIMITED

BALANCE SHEET - 31 DECEMBER 2006

	Notes	<u>31 December 2006</u>		<u>Restated</u> <u>1 October 2005</u>	
		£'000	£'000	£'000	£'000
CURRENT ASSETS					
Debtors falling due after one year	8	74		74	
Debtors falling due within one year	8	293		337	
		<u>367</u>		<u>411</u>	
CREDITORS (amounts falling due within one year)	9	(18,267)		(19,231)	
NET CURRENT LIABILITIES			(17,900)		(18,820)
TOTAL ASSETS LESS CURRENT LIABILITIES			(17,900)		(18,820)
 Pension surplus	16		105		217
NET LIABILITIES			<u>(17,795)</u>		<u>(18,603)</u>
 CAPITAL AND RESERVES					
Called up share capital	11		3,550		3,550
Share premium account			1,364		1,364
Capital redemption reserve			4,081		4,081
Profit and loss account	12		(26,790)		(27,598)
SHAREHOLDERS' DEFICIT	13		<u>(17,795)</u>		<u>(18,603)</u>

The notes on pages 9 to 16 form part of these financial statements

The financial statements were approved by the Board on 29th November 2007 and signed on their behalf by



E PLAMP
DIRECTOR

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

1 ACCOUNTING POLICIES

(1) Basis of preparation of the financial statements

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

(2) Turnover

The company's turnover and operating profit reflect its principal activity, the distribution and delivery of premium parcel services, which is in the UK

(3) Pensions

For the defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triannually and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(4) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(5) Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 (Related Party Transactions) which allows the company not to disclose transactions with group entities or investee of the group qualifying as related parties.

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

2 CHANGES IN ACCOUNTING POLICY

The company's policy in respect of pensions was changed during the period to adopt Financial Reporting Standard No 17 "Retirement Benefits"

The previous policy recognised a charge to the profit and loss account for the regular service cost of the scheme so as to spread the cost of pensions over the service lives of the employees. Variations from regular cost were charged or credited to the profit and loss account over the estimated average remaining life of the employees.

The new policy is to recognise the regular service cost of providing benefits to employees during the year, together with the cost of any benefits relating to past service. These costs are charged to operating profit in the year.

The interest cost on retirement benefit scheme liabilities less the expected return on the assets of the scheme during the year, based on the market value of the scheme at the start of the year, is charged as other finance charges to profit before taxation in the year.

The difference between the market value of assets and the actuarial value of pension liabilities is shown as a liability in the balance sheet, net of deferred tax.

Differences between actual and expected returns on assets and experience gains/(losses) arising on scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses during the year.

The comparative figures in the primary statements and related notes to the financial statements have been restated to reflect the new policy.

The effect of the change in policy are summarised below.

Impact of adoption on the Profit and Loss account

	2005 as previously reported <u>£'000</u>	Effect of account restatement <u>£'000</u>	Restated 2005 <u>£'000</u>
Operating charges	11,973	20	11,993
Interest receivable	-	(100)	(100)
Tax on profit on ordinary activities	-	24	24

Impact of adoption on the Balance Sheet

Pension liability	-	217	217
Profit and Loss reserve	(27,815)	217	(27,598)

Given that FRS17 has been fully adopted in the period, a calculation of the SSAP 24 charge for the period and the resulting provision or prepayment has not been performed. The effect of the change in accounting policy on the results for the period ended 31 December 2006 and the balance sheet at that date have therefore not been disclosed.

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

3 OPERATING CHARGES

	31 December 2006	Restated-Note 2
	15 months	1 October 2005
	£'000	52 weeks
		£'000
Raw materials, consumables and other purchases	223	203
Staff costs		
Other pension costs	40	20
Other Operating charges		
Operating lease rentals (including short term hire)		
Revenue earning vehicles	7	103
Plant and machinery	11	16
Land and buildings	-	101
Auditors' remuneration		
- Fees payable to the Companies auditors for audit of the companies accounts	5	4
- Non audit fees	-	-
Other	15 892	11,546
	15 915	11 770
Total operating charges	16 178	11,993

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	Restated-note 2
		2005
	£'000	£'000
Net income from Pension Scheme	40	100

5 DIRECTORS EMOLUMENTS

The directors who served during this and the preceding period were paid by another group company
It is not possible to split their time for the work spent on Red Star Parcels Limited

6 EMPLOYEES

The employees who served during this and the preceding period were paid by another group company
It is not possible to split their time for the work spent on Red Star Parcels Limited Staff costs are reflected by way of a group recharge

RED STAR PARCELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	31 December 2006 £'000	1 October 2005 £'000
Current tax		
UK corporation tax on profits of the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences (ACA and other)	-	24
Total deferred tax	-	24
Tax on profit for the year	-	24

Adjustments in respect of previous years arise from the agreement of prior year tax computations

Factors affecting tax charge for the year

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

	31 December 2006 £'000	Restated - Note 2 1 October 2005 £'000
Profit on ordinary activities before taxation	920	198
FRS 17 restatement - Note 2	-	80
	920	278
Profit on ordinary activities at the standard UK rate of tax (30%)	276	83
Items not deductible for tax purposes	9	5
(Excess) / shortfall of capital allowances over depreciation	(14)	9
Utilisation of tax losses	(271)	(73)
FRS 17 restatements	-	(24)
Current charge for the year	-	-
Deferred tax assets/liabilities have not been discounted		

RED STAR PARCELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

8 DEBTORS

	31 December 2006 £'000	1 October 2005 £'000
Amounts falling due within one year		
Amounts owed by other group companies	281	281
Other taxation and social security	8	2
Other debtors	4	54
	<u>293</u>	<u>337</u>
Amounts falling due after more than one year		
Deferred tax asset	74	74
	<u>74</u>	<u>74</u>

9 CREDITORS (amounts falling due within one year)

	31 December 2006 £'000	1 October 2005 £'000
Bank overdraft	1	-
Trade creditors	-	29
Amounts owed to other group companies	18,264	19,202
Other creditors	2	-
	<u>18,267</u>	<u>19,231</u>

10 DEFERRED TAXATION

	<u>Recognised</u> 31 December 2006 £'000	<u>Not Recognised</u> £'000	<u>Recognised</u> 1 October 2005 £'000	<u>Not Recognised</u> £'000
Deferred taxation asset				
Accelerated capital allowances	(74)	-	(74)	-
Tax losses	-	(2,250)	-	(2,570)
Other timing differences	-	-	-	-
	<u>(74)</u>	<u>(2,250)</u>	<u>(74)</u>	<u>(2,570)</u>

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

11 CALLED UP SHARE CAPITAL

	31 December 2006 £'000	1 October 2005 £'000
Allotted, called up and fully paid		
3,550,001 Ordinary shares of £1 each	3,550	3,550
Authorised		
5,000,000 Ordinary shares of £1 each	5,000	5,000

12 OTHER RESERVES

	Restated-Note 2 Profit and loss account £'000
At 1 October 2005	(27,815)
Prior year FRS 17 restatement (note2)	217
At 1 October 2005 restated	(27,598)
Profit for the financial year	920
Actuarial Loss in the pension scheme	(160)
UK deferred tax attributable to the actuarial loss	48
At 31 December 2006	(26,790)

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2006 £'000	Restated (Note 2) 2005 £'000
Profit for the financial period	920	254
Actuarial Loss relating to the Pension Scheme	(160)	(20)
UK deferred tax attributable to the actuarial loss	48	6
Net additions to shareholders' deficit	808	240
Opening shareholders' deficit as previously stated	(18,820)	(19,018)
Prior year FRS 17 restatement (note 2)	217	175
Opening shareholders' deficit as restated	(18,603)	(18,843)
Closing shareholders' deficit	(17,795)	(18,603)

14 CAPITAL COMMITMENTS

At 31 December 2006 there was £nil (2005 - £nil) capital expenditure authorised by the Board and contracted for but not provided in these financial statements

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

15 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.

16 PENSION COSTS

Red Star Parcels Limited 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 1995/1433). The RS provides benefits based on final average pensionable pay. The assets of the RPS are held separately from those of the company. Following the closure of the Red Star rail operation on 25 May 2001 the number of active employees within this scheme is minimal.

The ongoing funding level of the Red Star Parcels Limited Pension Plan was assessed by a qualified actuary in a valuation 31 December 2004. At that date, the market value of assets of the Scheme amounted to £18.7 million.

In the opinion of the Actuary, at the valuation date the Scheme had an on-going funding level of 136% and showed a corresponding deficit of £4.9 million.

FRS 17

A full actuarial valuation was carried out at 31 December 2004 and updated to 31 December 2006 by a qualified independent actuary.

The major assumptions used by the actuary at 31 December 2006 were (in normal terms)

	2006	2005	2004
Inflation	3.00%	2.75%	2.80%
Rate of increase in salary	4.00%	3.75%	4.30%
Rate of increase in pension in payment	3.00%	2.75%	2.80%
Rate of increase for deferred pension	3.00%	2.75%	2.80%
Discount rate	5.15%	5.10%	5.60%

The assets in the scheme and the expected rates of return were

	31 December 2006		30 September 2005		30 September 2004	
	Long term expected rate of return	£'000	Long term expected rate of return	Value £'000	Long term expected rate of return	£'000
Fair value						
Equities/Property	7.00%	8,920	8.35%	19,100	8.30%	15,100
Bonds/cash	5.15%	15,370	4.70%	1,900	5.10%	1,800
Other	-	-	-	-	3.80%	800
Total market value of assets		24,290		21,000		17,700
Present value of liabilities		(16,330)		(15,270)		(13,790)
Surplus in the scheme		7,960		5,730		3,910
less employees share		(3,160)		(2,240)		(1,520)
Employers share of surplus		4,800		3,490		2,390
less irrecoverable surplus		(4,650)		(3,180)		(2,140)
surplus in the scheme		150		310		250
Related deferred tax asset		(45)		(93)		(75)
Net pension liability		105		217		175

RED STAR PARCELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

16 PENSION COSTS (Continued)

FRS 17 (continued)

Analysis of the amount charged to operating profit

	<u>2006</u> £'000	<u>2005</u> £'000
Current service cost	40	20

Analysis of the amount credited to net finance charges

	<u>2006</u> £'000	<u>2005</u> £'000
Expected return on pension scheme assets	(630)	(610)
Interest on pension scheme liabilities	590	510
	<u>(40)</u>	<u>(100)</u>

Analysis of the actuarial loss in the statement of total recognised gains and losses

	<u>2006</u> £'000	<u>2005</u> £'000
Actual return less expected return on pension scheme assets	(1,230)	(1,410)
Experience gains and losses arising on the scheme liabilities	(400)	(730)
Changes in assumptions underlying the present value of the scheme liabilities	320	1,120
Movement in irrecoverable surplus	1,470	1,040
	<u>160</u>	<u>20</u>

Movement in scheme surplus during the year

	<u>2006</u>	<u>2005</u>
At 2 October 2005	310	250
Current service cost	(40)	(20)
Net finance income	40	100
Actuarial gain	1,310	1,020
Movement in irrecoverable surplus	(1,470)	(1,040)

Closing surplus in scheme	<u>150</u>	<u>310</u>
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History of experience gains and losses

	<u>Dec 2006</u>	<u>Sept 2005</u>	<u>Sept 2004</u>	<u>Sept 2003</u>
Differences between actual and expected return on scheme assets				
gain amount (£000)	(1,230)	(1,410)	(480)	(910)
percentage of scheme assets	5.1%	6.7%	2.7%	5.7%
Experience gain/(loss) arising on scheme liabilities				
(gain) / loss amount (£000)	(400)	(730)	60	780
percentage of scheme liabilities	2.4%	4.8%	0.4%	6.3%
Changes in the assumptions underlying the present value of the scheme liabilities				
loss amount (£000)	320	1,120	280	450
percentage of scheme liabilities	2.0%	7.3%	2.0%	3.6%
Total amounts included in consolidated statement of recognised gains and losses				
(gain) / loss amount (£000)	(1,310)	(1,020)	(140)	320
percentage of scheme liabilities	8.0%	6.7%	1.0%	2.6%

17 ULTIMATE PARENT UNDERTAKING

The company is a direct subsidiary of UPS (UK Holdings) Limited which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company and controlling party is United Parcel Service, Inc., incorporated in the United States of America. This company also comprises the smallest and largest groups for which consolidated accounts are prepared including the results of this company.