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**Company Registration No. 03765747**

**UPS Capital UK Limited**

**Annual Report and Financial Statements**

**31 December 2005**

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# **UPS Capital UK Limited**

## **Annual report and financial statements 2005**

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# **UPS Capital UK Limited**

## **Annual report and financial statements 2005**

### **Officers and professional advisers**

#### **Director**

UPS Capital Global Trade Finance Corporation

#### **Secretary**

N Ruddy

#### **Registered office**

Paul Davidson Taylor  
Chancery Court  
Queen Street,  
Horsham  
West Sussex  
RH13 5AD

#### **Bankers**

Barclays Bank plc  
1<sup>st</sup> Floor  
54 Lombard Street  
London  
EC3V 9EX

Bank Mendes Gans NV  
Postbus 198  
1000 AD Amsterdam  
Herengracht 619  
Netherlands

#### **Solicitors**

Paul Davidson Taylor  
Chancery Court  
Queen Street,  
Horsham  
West Sussex  
RH13 5AD

Hammonds  
7 Devonshire Square  
Cutlers Gardens  
London  
EC2M 4YH

#### **Independent auditors**

Deloitte & Touche LLP  
Chartered Accountants  
Crawley

## **UPS Capital UK Limited**

### **Director's report**

The director presents its annual report and the audited financial statements for the year ended 31 December 2005

#### **Principal activity**

The principal activity of the company is the provision of debt factoring services

#### **Results and dividends**

The results for the year are set out in the profit and loss account. The financial position of the company is set out in the balance sheet.

The director does not intend to declare a dividend for the year (2004 - £nil)

#### **Risk management policies**

As permitted under s247A the company has not presented its risk management policies

#### **Future prospects**

In March 2004, the director took the decision to discontinue the invoice discounting and domestic debt factoring services. This process is ongoing at the date of signing. The director is currently reviewing the options for the future trading of the company.

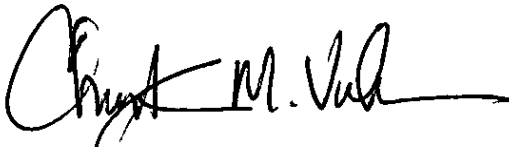
#### **Director**

The membership of the board from the start of the year to the date of this report is set out on page 1

#### **Independent auditors**

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Director



UPS Capital Global Trade Finance Corporation  
Director

20 July 2007

## **UPS Capital UK Limited**

### **Statement of director's responsibilities**

The director is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable it to ensure that the financial statements comply with the Companies Act 1985. It is 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.

## **Independent Auditors' Report to the members of UPS Capital UK Limited**

We have audited the financial statements of UPS Capital UK Ltd for the year ended 31 December 2005 which comprise the profit and loss account, balance sheet and related notes 1 to 15. 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 director and auditors**

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 Practices, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Crawley, United Kingdom

**27 July** 2007

## UPS Capital UK Limited

### Profit and loss account For the year ended 31 December 2005

	Note	£	2005 £	£	2004 £
<b>Turnover</b>	2		391,764		3,984,829
<b>Less:</b> amounts netted against provision for operations to be discontinued made in 2004 (note 9)			(391,764)		-
<b>Total turnover</b>			<u>-</u>		<u>3,984,829</u>
Administrative expenses (including exceptional bad debt expense of £nil (2004 - £1,319,492) and foreign exchange gain of £nil (2004 - £1,959,334) )			(1,343,818)		(2,194,535)
<b>Less:</b> release of provision made in 2004 (note 9)			<u>1,261,669</u>		<u>-</u>
Total administrative expenses			<u>(82,149)</u>		<u>(2,194,535)</u>
<b>Operating (loss)/profit</b>	4		(82,149)		1,790,294
Provision for closure costs	9		332,994		(1,502,861)
Interest payable and similar charges	5	(73,797)		(510,791)	
less release of provision made in 2004 (note 9)		<u>73,797</u>		<u>-</u>	
<b>Total interest payable</b>		-	<u>-</u>	(510,791)	<u>(510,791)</u>
<b>Profit/(loss) on ordinary activities before and after taxation transferred to reserves</b>	11		<u>250,845</u>		<u>(223,358)</u>

All transactions are derived from discontinuing operations

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no statement of total recognised gains and losses is shown

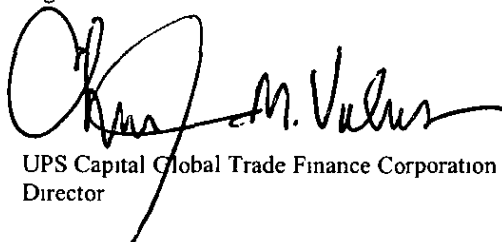
## UPS Capital UK Limited

### Balance sheet 31 December 2005

	Note		2005 £	2004 £
<b>Current assets</b>				
Debtors	7		1,240,945	12,816,494
- due within one year	7	544,883		11,442,097
- due after one year	7	696,062		1,374,397
Cash at bank and in hand			952,251	434,363
			<u>2,193,196</u>	<u>13,250,857</u>
<b>Creditors: amounts falling due within one year</b>	8		<u>(1,762,229)</u>	<u>(11,625,210)</u>
<b>Net current assets</b>			<u>430,967</u>	<u>1,625,647</u>
<b>Total assets less current liabilities</b>			<u>430,967</u>	<u>1,625,647</u>
Provisions for liabilities	9		<u>(57,336)</u>	<u>(1,502,861)</u>
<b>Net assets</b>			<u>373,631</u>	<u>122,786</u>
<b>Capital and reserves</b>				
Called up share capital	10,11		2	2
Profit and loss account	11		373,629	122,784
<b>Total shareholders' funds</b>	11		<u>373,631</u>	<u>122,786</u>

These financial statements were approved by the Board of Directors on *20-July, 2007*

Signed on behalf of the Board of Directors

  
 UPS Capital Global Trade Finance Corporation  
 Director



# **UPS Capital UK Limited**

## **Notes to the financial statements Year ended 31 December 2005**

### **1 Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current year and preceding year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Foreign currencies**

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising are dealt with in the profit and loss account.

#### **Taxation**

Current taxation is provided at amounts expected to be paid using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation 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, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Leases**

Operating lease rentals are charged to income in equal annual amounts over the lease term.

#### **Pension costs**

The company participates in a group scheme available to all UK employees. The scheme is called the UPS Pension Investment Plan and is a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund. In the year this amounted to £18,612 (2004 - £40,041).

#### **Gross factored debts and amounts owed to clients**

Gross factored debts reflects the outstanding balance of debts that have been purchased from clients. Amounts shown as owed to clients reflects the purchase price of the factored debts less any initial payments, reassigned debts and charges. This treatment is applied consistently whether or not there is recourse to the client for any of the outstanding debts.

#### **Amounts owed by clients**

Amounts owed by clients represents amounts advanced against stock and amounts in connection with letters of credit issued on behalf of clients.

#### **Cash flow statement**

The company has taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (revised) as the company is a wholly owned subsidiary of a company which prepares consolidated financial statements that are publicly available.

## UPS Capital UK Limited

### Notes to the financial statements Year ended 31 December 2005

#### 2. Turnover

Turnover represents amounts derived from the provision of debt factoring services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity.

Included within turnover are service fees which are recognised over the expected period of collection of the factored debt.

#### 3. Information regarding the director and employees

No director received any emoluments from the company in the current or preceding financial year.

	2005 No.	2004 No.
<b>Average number of persons employed:</b>		
Management and administration	4	19
	<hr/>	<hr/>
	£	£
<b>Staff costs during the period:</b>		
Wages and salaries	432,460	691,932
Social security costs	29,292	124,129
Pension costs	18,612	40,411
	<hr/>	<hr/>
	480,364	856,472
	<hr/>	<hr/>

#### 4. Operating profit

	2005 £	2004 £
<b>Operating profit is stated after charging:</b>		
Depreciation – owned assets	-	68,508
Disposal of assets – owned assets	-	132,920
Rentals under operating leases		
Other	178,756	160,771
Auditors' remuneration		
Audit fees	15,000	18,000
	<hr/>	<hr/>

#### 5. Interest payable and similar charges

	2005 £	2004 £
Group company loans	72,516	482,158
Bank interest and fees	1,281	28,633
	<hr/>	<hr/>
	73,797	510,791
	<hr/>	<hr/>

# UPS Capital UK Limited

## Notes to the financial statements Year ended 31 December 2005

### 6. Taxation

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK 30% (2004 - 30%) The differences are explained below

	2005 %	2004 %
Standard tax rate for year as a percentage of profits	30	30
Effects of		
Expenses not deductible for tax purposes	-	(13)
Movement in short term timing differences	(30)	(17)
Current tax rate for year as a percentage of profits	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to general provisions and brought forward/current year trading losses as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £143,634 (2004 - £449,127) The asset would be recovered if the company made suitable profits in the future

### 7. Debtors

	2005 £	2004 £
Gross factored debts	-	7,720,859
Amounts owed by clients	-	2,307,680
Amounts due from fellow group undertakings	-	1,000,000
Other debtors	1,240,945	1,701,520
Prepayments and accrued income	-	86,435
	<u>1,240,945</u>	<u>12,816,494</u>

Included within other debtors is an amount of £696,062 (2004 - £1,374,397) due after one year

### 8. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	-	111,251
Trade creditors	45,566	107,273
Amounts owed to clients	-	6,337,133
Amounts owed to fellow group undertakings	1,592,163	4,814,314
Other taxes and social security	7,108	-
Other creditors	10,804	-
Accruals and deferred income	106,588	255,239
	<u>1,762,229</u>	<u>11,625,210</u>

## UPS Capital UK Limited

### Notes to the financial statements Year ended 31 December 2005

#### 9. Provisions for liabilities

	<b>Provision for operations to be discontinued £</b>
Balance at 1 January 2005	(1,502,861)
Utilised in year	943,702
Estimate of future closure costs revised during the year	332,994
Transfer to other debtors provision	168,829
	<hr/>
Balance at 31 December 2005	(57,336)
	<hr/>

Provision has been made for the costs of closure of the debt factoring business. This includes the direct costs of the termination plus the anticipated net operating losses of the operation up to the date of closure.

#### 10. Called up share capital

	<b>2005 £</b>	<b>2004 £</b>
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<b>Called up, allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

#### 11. Combined reconciliation of movements in shareholders' funds and statement of movements on reserves

	<b>Issued share capital £</b>	<b>Profit and loss account £</b>	<b>Total 2005 £</b>	<b>Total 2004 £</b>
Balance at start of year	2	122,784	122,786	346,144
Profit/(loss) retained for the year	-	250,845	250,845	(223,358)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	2	373,629	373,631	122,786
	<hr/>	<hr/>	<hr/>	<hr/>

## UPS Capital UK Limited

### Notes to the financial statements Year ended 31 December 2005

#### 12. Operating lease commitments

As at 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings 2005 £	Land and buildings 2004 £
<b>Leases which expire:</b>		
Within one year	71,437	-
Within one to two years	-	95,250

#### 13. Contingent liabilities

At the year end, the company had issued letters of credit through its bankers, on behalf of certain of its clients, totalling £Nil (2004 - £97,539)

#### 14. Ultimate parent company and controlling party

The immediate parent company is UPS Capital Global Trade Finance Corporation, a company incorporated in the United States of America

The ultimate parent company and controlling entity is United Parcel Service Inc, incorporated in the United States of America. Copies of the financial statements are available to the public from UPS House, Forest Road, Feltham, Middlesex, TW13 7DY

#### 15. Related party transactions

Under the exemption permitted by Financial Reporting Standard No 8, 'Related Party Disclosures' transactions and balances with other undertakings within the UPS group have not been disclosed in these financial statements