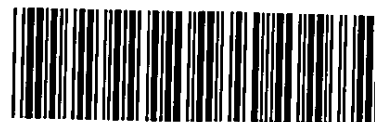


**UPS LIMITED**  
**(REGISTERED NUMBER 01933173)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**TUESDAY**



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## **UPS LIMITED**

### **Report and financial statements 2011**

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## **UPS LIMITED**

### **Officers and Professional advisers**

|                          |  |
|--------------------------|--|
| <b>Directors</b>         | C Miller<br>J Barber<br>HM Mensing<br>R Suleiman   |
| <b>Company Secretary</b> | R Suleiman   |
| <b>Registered office</b> | UPS House<br>Forest Road<br>Feltham<br>Middlesex<br>TW13 7DY   |
| <b>Registered number</b> | 01933173   |
| <b>Solicitors</b>        | Clyde & Co<br>Beaufort House<br>15 St Botolph Street<br>London<br>EC3A 7AR   |
| <b>Bankers</b>           | Barclays Bank<br>London Corporate Centre<br>PO Box 46116<br>London<br>EC4N 8WB   |
| <b>Auditor</b>           | Deloitte LLP<br>Chartered Accountants and Statutory Auditors<br>Abbots House<br>Abbey Street<br>Reading, UK<br>RG1 3BD |

## **UPS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

The directors submit herewith their annual report and the audited financial statements for the year ended 31 December 2011

#### **PRINCIPAL ACTIVITIES**

The principal activities of the company are to provide domestic and international parcel delivery services and the provision of HM Revenue & Customs clearance facilities for inbound parcels incorporating a delivery service within the United Kingdom for parcels that originate from the United Parcel Service worldwide network

#### **BUSINESS REVIEW**

Turnover has improved during the year and the directors expect growth in both domestic and international revenue to continue over the next three years generating improved profitability

UPS's engagement as lead logistics supplier for the London 2012 Olympic and Paralympic games will increase the company's profile further within the UK

#### **GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and company's forecasts and projections, and taking account of reasonably possible changes in trading performance, show that the company will continue to grow and increase its turnover

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and accounts

#### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 7 of the financial statements and show an operating profit of £13,727,000 (2010 - profit of £6,452,000) on turnover of £669,631,000 (2010 - £634,461,000). Net total assets at 31 December 2011 were £82,964,000 (2010 - £93,018,000). No dividend was declared for current and prior years.

#### **DIRECTORS AND THEIR INTERESTS**

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

W Flick (resigned 29th June 2011)

HM Mensing

R Suleiman

C Miller

J Barber (appointed 1st July 2011)

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

## **UPS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

#### **EMPLOYMENT OF DISABLED PERSONS**

Disabled persons are employed by the company when they appear to be suited to a particular vacancy. The particular aptitudes and abilities of disabled persons are more easily met in certain aspects of our business, particularly in connection with clerical work, and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. In the event that any employee should become disabled while in our employment every effort is made to ensure continuing employment within the company.

#### **EMPLOYEES' INVOLVEMENT**

The group recognises the need to provide information to employees on issues affecting them and the performance of the group. This is achieved through periodic management meetings and the publication of information bulletins.

#### **DONATIONS**

Charitable donations of £500 were paid in the year (2010 - £1,948)

No political donations were made in the year (2010 - £nil)

#### **PAYMENT OF CREDITORS**

The group's policy for the payment of its suppliers is to agree the terms of payment in advance and, provided a supplier performs in accordance with the agreement, to abide by such terms. No creditor days figure is given as the majority of cost of sales represents intercompany charges, and hence any figure given would not be representative.

#### **RISK MANAGEMENT**

The company is exposed to price risks, including market, currency and interest rate risk, along with credit, liquidity, cash flow, and regulatory risk. The company has adopted risk management policies that seek to mitigate these risks in a cost-effective manner.

Financial assets that expose the company to financial risk consist principally of cash, trade receivables and other receivables. Financial liabilities that expose the company to financial risk consist principally of trade payables and other payables. The financial risks associated with these financial instruments are considered minimal.

##### Foreign exchange risk

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

##### Interest rate risk

Interest-bearing financial assets and liabilities are all short term. Hence with the current interest rate level any future variation in interest rates will not have a material impact on net profit.

##### Credit risk

The company places its cash with credit worthy institutions. The company performs ongoing credit evaluation of its customers' financial condition. The carrying amounts of cash, trade receivable and other receivables represent the maximum credit risk that the company is exposed to. The trade receivables are distributed in such a manner that the concentration of credit risk is not considered extraordinary.

##### Liquidity risk

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

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, cash management is a key priority. Managers are measured on internal performance measures which include daily, weekly and monthly cash reporting.

##### Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their fair values due to the relatively short-term maturing of these financial instruments.

##### Regulatory risk

The company is exposed to the risks associated with changes in relevant laws and regulations. The company has adopted risk management policies that seek to address and mitigate these risks.

## **UPS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

#### **AUDITOR**

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 auditor is unaware,
- the 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the Board of Directors  
and signed on behalf of the Board



R Suleiman  
Company Secretary  
14 May 2012

## **UPS LIMITED**

### **Independent auditor's report to the members of UPS Limited**

We have audited the financial statements of UPS Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report under those regulations 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the revised financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**UPS LIMITED**

**Independent auditor's report to the members of UPS Limited**

**(CONTINUED)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the revised financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Anna Marks (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Reading, UK

15 May 2012



**UPS LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

|  | <u>Notes</u> | 2011<br>£'000 | 2010<br>£'000  |
|--|--------------|---------------|----------------|
| Turnover   | 2            | 669,631       | 634,461        |
| Cost of sales  |              | (593,418)     | (556,334)      |
| <b>Gross profit</b>  |              | <b>76,213</b> | <b>78,127</b>  |
| Administrative expenses                                      |              | (62,486)      | (71,675)       |
| <b>OPERATING PROFIT</b>                                      | 3            | <b>13,727</b> | <b>6,452</b>   |
| Interest receivable and similar income                       | 4            | 1,937         | 229            |
| Interest payable and similar charges                         | 5            | (698)         | (749)          |
| <b>Profit on ordinary activities before taxation</b>         |              | <b>14,966</b> | <b>5,932</b>   |
| Tax on profit of ordinary activities                         | 6            | (1 595)       | (13,745)       |
| <b>Profit / (loss) on ordinary activities after taxation</b> | 18           | <b>13,371</b> | <b>(7,813)</b> |

The notes on pages 10 to 35 form part of these financial statements  
All results are derived from continuing operations

**UPS LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Profit/(Loss) for the year transferred to reserves          | 13,371        | (7,813)       |
| Actuarial (loss) / gain relating to the Pension Scheme      | (31,234)      | 11,043        |
| UK deferred tax attributable to the actuarial (loss) / gain | 7,809         | (2,982)       |
|   | <hr/>         | <hr/>         |
| Total recognised (losses) / gains relating to the year      | (10,054)      | 248           |
|   | <hr/>         | <hr/>         |

**UPS LIMITED**

**BALANCE SHEET - 31 DECEMBER 2011**

|  | <u>Notes</u> | <u>2011</u><br>£'000 | <u>2011</u><br>£'000 | <u>2010</u><br>£'000 | <u>2010</u><br>£'000 |
|--|--------------|----------------------|----------------------|----------------------|----------------------|
| <b>FIXED ASSETS</b>                                    |              |                      |                      |                      |                      |
| Tangible assets  | 8            |                      | 102,052              |                      | 101,380              |
| Investments  | 9            |                      | -                    |                      | -                    |
|  |              |                      | <u>102,052</u>       |                      | <u>101,380</u>       |
| <b>CURRENT ASSETS</b>                                  |              |                      |                      |                      |                      |
| Stocks   | 10           | 482                  |                      | 557                  |                      |
| Debtors falling due after one year                     | 11           | 4,596                |                      | 4,070                |                      |
| Debtors falling within one year                        | 11           | 122,961              |                      | 108,737              |                      |
| Cash at bank and in hand                               |              | 13,776               |                      | 25,104               |                      |
|  |              | <u>141,815</u>       |                      | <u>138,468</u>       |                      |
| <b>CREDITORS - amounts falling due within one year</b> | 12           | (139,656)            |                      | (142,418)            |                      |
| <b>NET CURRENT ASSETS / (LIABILITIES)</b>              |              |                      | <u>2,159</u>         |                      | <u>(3,950)</u>       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |              |                      | <u>104,211</u>       |                      | <u>97,430</u>        |
| <b>CREDITORS - amounts falling due after one year</b>  | 13           |                      | (110)                |                      | (354)                |
| <b>PROVISIONS FOR LIABILITIES</b>                      | 14           |                      | (4,997)              |                      | (4,851)              |
| <b>NET ASSETS EXCLUDING PENSION (LIABILITY)/ASSET</b>  |              |                      | <u>99,104</u>        |                      | <u>92,225</u>        |
| Pension - defined benefit (liability)/asset            | 19           |                      | (16,140)             |                      | 793                  |
| <b>NET ASSETS INCLUDING PENSION (LIABILITY)/ASSET</b>  |              |                      | <u>82,964</u>        |                      | <u>93,018</u>        |
| <b>CAPITAL AND RESERVES</b>                            |              |                      |                      |                      |                      |
| Called up share capital                                | 16           |                      | 2                    |                      | 2                    |
| Share premium  | 17           |                      | 196,952              |                      | 196,952              |
| Group reconstruction reserve                           | 17           |                      | (72,263)             |                      | (72,263)             |
| Profit and loss account                                | 17           |                      | (41,727)             |                      | (31,673)             |
| <b>SHAREHOLDERS' FUNDS</b>                             | 18           |                      | <u>82,964</u>        |                      | <u>93,018</u>        |

The financial statements of UPS Limited (registered number 01933173) were approved by the board of directors and authorised for issue on 14th May 2012. They were signed on its behalf by

R Suleiman  
DIRECTOR



## **UPS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

#### **I ACCOUNTING POLICIES**

##### **Going Concern**

The company's business activities, together with the factors likely to affect its future development, performance and company's forecasts and projections, and taking account of reasonably possible changes in trading performance, show that the company will continue to grow and increase its turnover

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and accounts

##### **Accounting policies**

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

##### **Accounting convention**

The financial statements are prepared under the historical cost convention

##### **Operations**

All Operations in UPS Limited are from continuing operations

##### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised at the point a parcel is collected from a customer

##### **Group accounts**

The company has taken advantage of the exemption granted under section 401 of the Companies Act 2006 not to produce group accounts. UPS Ltd is a subsidiary of UPS (UK Holding) Limited which itself is a subsidiary of United Parcel Service Inc. which is not established under the law of an EEA State. UPS (UK Holding) Ltd as well as UPS Ltd have met all the conditions necessary to be exempt from completing consolidated financial statements as group accounts are prepared for United Parcel Service Inc. in a manner which is equivalent to the seventh EU Company law directive. Consequently, the financial statements of UPS (UK Holding) Ltd present information about the undertaking itself rather than its group

UPS Ltd is also, on this basis, exempt from the requirement of FRS 1 (revised) to present a cash flow statement

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment

Depreciation of tangible fixed assets is provided at rates calculated to reduce their cost to estimated realisable value at the end of their anticipated useful lives

|                        |   |
|------------------------|---|
| Freehold buildings     | 20 to 40 years  |
| Leasehold improvements | Costs are written off over the terms of the leases or the estimated remaining life if shorter |

##### **Plant and Machinery**

|   |               |
|---|---------------|
| Fixtures, Fittings, tools and equipment | 3 to 10 years |
| Motor Vehicles                          | 3 to 11 years |

Freehold land is not depreciated

##### **Investments**

Investments held as fixed assets are stated at cost less provision for impairment in value

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value

##### **Foreign currency**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account

## **UPS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (Continued)**

##### **Pension costs**

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 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 or 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 company, 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 triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

##### **Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Operating lease rentals are charged to profit and loss account in equal amounts over the lease term.

##### **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.

**UPS LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)****2 TURNOVER**

Turnover represents the value of services invoiced to customers and other group companies for forwarding of parcels and freight both domestically and internationally and the provision of HM Revenue & Customs clearance facilities together with amounts invoiced to group undertakings for services rendered on their behalf. It is stated net of value added tax and duty.

Turnover, pre-tax profits and net assets are materially attributable to the provision of services as parcel and freight forwarders and customs clearance agents and for the provision of services to other group companies.

**3 Profit on Ordinary activities before interest**

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before interest is stated after charging / (crediting) |               |               |
| Depreciation   |               |               |
| - Owned tangible fixed assets  | 11,287        | 11,333        |
| - Fixed assets held under hire purchase contracts and finance leases                 | 178           | 198           |
| Profit/(loss) on disposal of fixed assets  | 268           | (38)          |
| Auditors' remuneration   |               |               |
| - Fees payable to the Company's auditors for audit of the companies accounts         | 103           | 185           |
| - Tax services   | 30            | 37            |
| - Other  | -             | 12            |
| Operating lease charges  |               |               |
| - Plant and machinery  | 1,229         | 2,970         |
| - Other assets   | 8,072         | 9,524         |

**4 INTEREST RECEIVABLE AND SIMILAR INCOME**

|                                | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------|---------------|---------------|
| Bank interest receivable       | 7             | 12            |
| Other Interest Receivable      | 33            | 10            |
| Net income from Pension Scheme | 1,897         | 207           |
|                                | <u>1,937</u>  | <u>229</u>    |

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

|                                    | 2011<br>£'000 | 2010<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 666           | 707           |
| Other interest payable             | 6             | 1             |
| Hire purchase interest             | 26            | 41            |
|                                    | <u>698</u>    | <u>749</u>    |

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| <b>Current tax:</b>  |               |               |
| UK corporation tax on (loss) / profit of the year at 26.5% (2010: 28%) | -             | -             |
| UK corporation tax - adjustments in respect of prior years             | (16)          | 16            |
| Total current tax  | (16)          | 16            |
| <b>Deferred tax:</b>   |               |               |
| Pension movement   | 2,137         | 1,878         |
| Current year movements   | 970           | 1,305         |
| Effects of rate change   | 313           |               |
| Adjustments in respect of prior years                                  | (1,809)       | 10,546        |
| Total deferred tax   | 1,611         | 13,729        |
| Tax on profit for the year   | 1,595         | 13,745        |

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 26.5% (2010: 28%). The differences are explained below

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation                                  | 14,966        | 5,932         |
| Profit on ordinary activities at the standard UK rate of tax 26.5% (2010: 28%) | 3,966         | 1,661         |
| Utilisation of tax losses/tax losses carried forward                           | (1,807)       | 1,542         |
| Capital allowances versus depreciation   | (487)         | (1,167)       |
| Short term timing differences  | 62            | (780)         |
| Prior period revisions   | (16)          | 16            |
| Pension deduction  | (2,287)       | (1,862)       |
| Items not deductible for tax purposes  | 553           | 606           |
|  | (16)          | 16            |

Deferred tax assets/liabilities have not been discounted

Current tax has been calculated at 26.5% being the blended corporation tax rate for the period

In the 2012 Budget issued on 21 March 2012, the Government announced that the tax rate would be reduced by 2% to 24% with effect from 1 April 2012 (rather than by 1% to 25%, as previously announced) with further annual 1% reductions to 22% by 1 April 2014. The 24% rate had not been substantively enacted at the balance sheet date and therefore has not been reflected in these financial statements. Consequently the company's closing deferred tax assets and liabilities have been restated at 25% to reflect the rate at which it was expected (as at the balance sheet date) that these assets and liabilities would have been recovered in the future.

**UPS LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)****7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The average monthly number of employees including directors during the year was made up as follows

|                       | 2011<br>Number | 2010<br>Number |
|-----------------------|----------------|----------------|
| Office and management | 1,657          | 1,703          |
| Operators             | 3,389          | 3,503          |
|                       | <u>5,046</u>   | <u>5,206</u>   |

|   |                |                |
|---|----------------|----------------|
| Staff costs during the year amounted to | 2011<br>£'000  | 2010<br>£'000  |
| Wages and salaries                      | 140,708        | 144,964        |
| Social security costs                   | 13,087         | 13,248         |
| Other pension costs                     | 3,005          | 2,546          |
|   | <u>156,800</u> | <u>160,758</u> |

|   |               |               |
|---|---------------|---------------|
|   | 2011<br>£'000 | 2010<br>£'000 |
| The aggregate amount of directors' emoluments excluding pension | <u>1,055</u>  | <u>853</u>    |
| The emoluments of the highest paid director - excluding pension | <u>584</u>    | <u>233</u>    |

None of the directors are members of the company's defined benefit or money purchase pension schemes. The directors hold no options over shares in the company.



**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**8 TANGIBLE FIXED ASSETS**

|                                 | Freehold<br>Land and<br>Buildings<br>£'000 | Short<br>Leasehold<br>Land and<br>Buildings<br>£'000 | Long<br>Leasehold<br>Land and<br>Buildings<br>£'000 | Plant and<br>Machinery<br>£'000 | Total<br>£'000 |
|---------------------------------|--|--|---|---------------------------------|----------------|
| <b><u>Cost or valuation</u></b> |  |  |   |                                 |                |
| At 1 January 2011               | 56,074                                     | 6,614  | 3,258   | 134,945                         | 200,891        |
| Transfer                        | (967)                                      | 588  | -   | 88                              | (291)          |
| Additions                       | 2,138                                      | 536  | -   | 10,352                          | 13,026         |
| Disposals                       | (907)                                      | (116)  | -   | (6,040)                         | (7,063)        |
| At 31 December 2011             | 56,338                                     | 7,622  | 3,258   | 139,345                         | 206,563        |
| <b><u>Depreciation</u></b>      |  |  |   |                                 |                |
| At 1 January 2011               | 7,752                                      | 3,398  | 1,393   | 86,968                          | 99,511         |
| Transfer                        | (1,663)                                    | 1,392  | -   | (13)                            | (284)          |
| Charge for the year             | 791  | 284  | -   | 10,390                          | 11,465         |
| Disposals                       | (244)                                      | (65)   | -   | (5,872)                         | (6,181)        |
| At 31 December 2011             | 6,636                                      | 5,009  | 1,393   | 91,473                          | 104,511        |
| <b><u>Net book value</u></b>    |  |  |   |                                 |                |
| At 31 December 2011             | 49,702                                     | 2,613  | 1,865   | 47,872                          | 102,052        |
| At 31 December 2010             | 48,322                                     | 3,216  | 1,865   | 47,977                          | 101,380        |

Included within freehold land and buildings is land at a cost of £24,065,000 (2010: £23,898,000) that is not depreciated. The market value of this Land is £24,065,000.

The directors are satisfied that the asset valuations as at 31 December 2011 are fair given the current market conditions.

Fixed assets under finance lease and hire purchase contracts had a net book value at 31 December 2011 of £567,683 (2010: £745,741). These are included in Plant and Machinery.

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**9 INVESTMENTS HELD AS FIXED ASSETS**

|                     | <b>Subsidiary<br/>Undertaking<br/>£000</b> |
|---------------------|--|
| At 31 December 2010 | -  |
| At 31 December 2011 | -  |

The company holds 100% of the issued shares and voting rights in Red Star Limited. Red Star Parcels Limited is a wholly owned subsidiary of Red Star Ltd.

During the year the company disposed of share capital held in Carryfast Holdings Limited, Lynx Express Pension Trustees Limited and Carryfast Limited.

In the directors' opinion the aggregate value of the shares in the subsidiary undertakings is not less than the amounts at which they are stated in the balance sheet.

**10 STOCKS**

|                   | 2011<br>£'000 | 2010<br>£'000 |
|-------------------|---------------|---------------|
| Consumable stores | 482           | 557           |

**11 DEBTORS**

|  | 2011<br>£'000  | 2010<br>£'000  |
|--|----------------|----------------|
| <b>Amounts falling due within one year</b>           |                |                |
| Trade debtors  | 89,194         | 82,276         |
| Amounts owed by subsidiary undertakings              | 29,709         | 22,435         |
| Other debtors  | 443            | 419            |
| Prepayments and accrued income                       | 3,615          | 3,607          |
|  | <u>122,961</u> | <u>108,737</u> |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Deferred tax asset                                   | <u>4,596</u>   | <u>4,070</u>   |

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**12 CREDITORS (amounts falling due within one year)**

|   | 2011<br>£'000  | 2010<br>£'000  |
|---|----------------|----------------|
| Bank overdraft                          | 5,187          | -              |
| Trade creditors                         | 3,203          | 1,628          |
| Amounts owed to subsidiary undertakings | 47,133         | 43,509         |
| Intercompany Loans                      | 31,838         | 49,874         |
| Finance leases                          | 244            | 231            |
| Other creditors                         | 1,368          | 926            |
| Other taxation and social security      | 12,503         | 12,363         |
| Accruals and deferred income            | 38,180         | 33,887         |
|   | <u>139,656</u> | <u>142,418</u> |

Interest at LIBOR + 0.162% is payable on intercompany loans. The loans are at call but have no fixed repayment terms.

**13 CREDITORS (amounts falling due after one year)**

|                | 2011<br>£'000 | 2010<br>£'000 |
|----------------|---------------|---------------|
| Finance leases | 110           | 354           |
|                | <u>110</u>    | <u>354</u>    |

**14 PROVISIONS FOR LIABILITIES**

|                     | <u>Onerous Lease</u><br>£'000 | <u>Dilapidations</u><br>£'000 | <u>Total</u><br>£'000 |
|---------------------|-------------------------------|-------------------------------|-----------------------|
| At 1 January 2011   | 665                           | 4,186                         | 4,851                 |
| Additions           | -                             | 251                           | 251                   |
| Utilised            | (60)                          | -                             | (60)                  |
| Released            | (45)                          | -                             | (45)                  |
|                     | <u>560</u>                    | <u>4,437</u>                  | <u>4,997</u>          |
| At 31 December 2011 | 560                           | 4,437                         | 4,997                 |

The provisions represent dilapidations and onerous leases for the various properties maintained by UPS Limited. The directors believe the dilapidation expenditures will be incurred within the next twenty four years to restore the conditions of the properties. The onerous lease provisions are expected to be utilized within seven years.

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**  
**(CONTINUED)**

**15 DEFERRED TAXATION**

The amounts provided for in the financial statements for deferred taxation and the amounts not provided for are as follows

|  | Provided<br>(assets)/liabilities     |                 |
|--|--------------------------------------|-----------------|
|  | 2011<br>£'000                        | 2010<br>£'000   |
| Capital allowances in excess of depreciation | (1,970)                              | (3,245)         |
| Tax losses                                   | (1,809)                              | -               |
| Other timing differences                     | (817)                                | (825)           |
| <b>Deferred Tax asset</b>                    | <b>(4,596)</b>                       | <b>(4,070)</b>  |
| <br>Deferred tax on Pensions (Note 19)       | <br>(5,157)                          | <br>299         |
| <b>Total Deferred Tax Debtor</b>             | <b>(9,753)</b>                       | <b>(3,771)</b>  |
|  |                                      |                 |
|  | Not Provided<br>(assets)/liabilities |                 |
|  | 2011<br>£'000                        | 2010<br>£'000   |
| Tax losses                                   | (5,694)                              | (10,575)        |
| <b>Deferred Tax asset</b>                    | <b>(5,694)</b>                       | <b>(10,575)</b> |

The deferred tax asset on tax losses were not provided for the year ended 2010, but have been partially for the year ended 31 December 2011. The directors believe that the taxable losses being carried forward will be utilised in the immediate future.

|  | Deferred tax<br>asset<br>£'000 |
|--|--------------------------------|
| At 1 January 2011  | (3,771)                        |
| Charge to profit and loss account (Note 6)                 | 1,611                          |
| Movement in Statement of Total Recognised Gains and Losses | (7,809)                        |
| <b>At 31 December 2011</b>                                 | <b>(9,969)</b>                 |

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**  
**(CONTINUED)**

**16 CALLED UP SHARE CAPITAL**

|   | 2011<br>£000 | 2010<br>£000 |
|---|--------------|--------------|
| <b>Authorised</b>                             |              |              |
| 100,000 Ordinary Shares of £1 each            | 100          | 100          |
| <b>Called up, allotted and fully paid</b>     |              |              |
| 2,003 (2009 2,000) Ordinary Shares of £1 each | 2            | 2            |

**17 RESERVES**

|  | Share<br>Premium<br>£'000 | Group<br>reconstruction<br>reserve<br>£'000 | Profit and loss<br>account<br>£'000 |
|--|---------------------------|---|-------------------------------------|
| At 1 January 2011                                | 196,952                   | (72,263)                                    | (31,673)                            |
| Profit for the year                              | -                         | -   | 13,371                              |
| Actuarial Gain relating to<br>the Pension Scheme | -                         | -   | (23,425)                            |
| At 31 December 2011                              | 196,952                   | (72,263)                                    | (41,727)                            |

**18 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS - DEFICIT**

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Opening shareholders  | 93,018        | (78,765)      |
| (Loss)/Profit for the financial year                        | 13,371        | (7,813)       |
| Actuarial (Loss) / Gain relating to the Pension Scheme      | (31,234)      | 11,043        |
| UK deferred tax attributable to the actuarial loss / (gain) | 7,809         | (2,982)       |
| Capital Contribution  | -             | 168,827       |
| Waiver of intercompany balances                             | -             | 2,708         |
| Closing shareholders profit/(loss)                          | 82,964        | 93,018        |

## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

19

#### PENSION COSTS

##### Defined contribution schemes

UPS Limited operates defined contribution scheme which is open to new entrants. The assets of the scheme are held in a separate trustee administered fund.

The total cost charged to income of £2,107,000 (2010: £1,882,000) represents contributions payable to this scheme by the group at rates specified in the rules of the plans. As at 31 December 2011 and 2010, all contributions were paid over.

The figures above exclude any assets and liabilities arising from members' individual accounts. Plan members may pay Additional Voluntary Contributions (AVCs). These operate on a defined contribution basis. The figures above exclude any assets and liabilities arising from members' individual AVC accounts.

##### Defined benefit schemes

##### UPS

The Plan is a defined benefit plan providing benefits that are linked to salary near retirement or earlier date of leaving service. The Plan is closed to new entrants. An approximate actuarial valuation of the Plan was carried out by a qualified independent actuary as at 31 December 2011.

##### Key assumptions used

|                                      | Valuation at |       |
|--------------------------------------|--------------|-------|
|                                      | 2011         | 2010  |
| Discount rate                        | 4.80%        | 5.50% |
| Expected return on scheme assets     | 6.09%        | 6.47% |
| Expected rate of salary increases    | 3.30%        | 3.44% |
| Future pension increases             |              |       |
| - price inflation, capped at 5% pa   | 3.00%        | 3.05% |
| - price inflation, capped at 2.5% pa | 2.10%        | 2.15% |
| Inflation                            | 3.05%        | 3.19% |

##### Mortality Assumptions

At the balance sheet date, plan members were assumed to have the following life expectancies at age 60:

|                                  | 2011 | 2010 |
|----------------------------------|------|------|
| Retiring today                   |      |      |
| Male pensioner now aged 60       | 26   | 26   |
| Female pensioner now aged 60     | 29   | 29   |
| Retiring in 20 years             |      |      |
| Male non-pensioner now aged 40   | 28   | 28   |
| Female non-pensioner now aged 40 | 31   | 31   |

Amounts recognised in the profit and loss account in respect of the defined benefit scheme is as follows:

|                                  | 2011         | 2010         |
|----------------------------------|--------------|--------------|
|                                  | £'000        | £'000        |
| Current service cost             | 2,210        | 2,375        |
| Interest cost                    | 5,330        | 5,404        |
| Expected return on scheme assets | (6,052)      | (5,296)      |
| Past service cost                | -            | 273          |
|                                  | <u>1,488</u> | <u>2,756</u> |

Of the charge for the year £722,000 (2010: £108,000) has been included in interest receivable and £2,210,000 (2010: £2,648,000) in administrative expenses. Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The return on scheme assets was £2,333,000 (2010: £9,414,000).

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is a deficit of £45,121,000 (2010: deficit of £25,283,000).

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**  
**(CONTINUED)**

**19 PENSION COSTS (Continued)**

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit scheme is as follows

|  | <u>2011</u>   | <u>2010</u>  |
|--|---------------|--------------|
|  | £'000         | £'000        |
| Present value of defined benefit obligations | 117,432       | 95,864       |
| Fair value of scheme assets                  | (98,409)      | (90,966)     |
| Deficit in scheme                            | 19,023        | 4,898        |
| Related deferred tax (note 15)               | (4,565)       | (1,322)      |
| Net Pension liability                        | <u>14,458</u> | <u>3,576</u> |

Movements in the present value of defined benefit obligations were as follows

|                                   | <u>2011</u>    | <u>2010</u>   |
|-----------------------------------|----------------|---------------|
|                                   | £'000          | £'000         |
| At 1 January                      | 95,864         | 91,763        |
| Service cost                      | 2,210          | 2,375         |
| Interest cost                     | 5,330          | 5,404         |
| Contributions from scheme members | 129            | 130           |
| Actuarial loss/(gain)             | 16,119         | (2,016)       |
| Benefits paid                     | (2,220)        | (2,065)       |
| Past service cost                 | -              | 273           |
| At 31 December                    | <u>117,432</u> | <u>95,864</u> |

Movements in the fair value of the scheme assets were as follows

|   | <u>2011</u>   | <u>2010</u>   |
|---|---------------|---------------|
|   | £'000         | £'000         |
| At 1 January                                | 90,968        | 77,096        |
| Expected return on scheme assets            | 6,050         | 5,296         |
| Actuarial (loss)/gain                       | (3,719)       | 4,106         |
| Contributions from the sponsoring companies | 7,201         | 6,405         |
| Contributions from scheme members           | 129           | 130           |
| Benefits paid                               | (2,220)       | (2,065)       |
|   | <u>98,409</u> | <u>90,968</u> |

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**19 PENSION COSTS (Continued)**

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

|                           | <u>Expected return</u> |              | <u>% of total plan assets</u> |              |
|---------------------------|------------------------|--------------|-------------------------------|--------------|
|                           | 2011<br>% pa           | 2010<br>% pa | 2011<br>% pa                  | 2010<br>% pa |
| Equity instruments        | 7.75%                  | 7.25%        | 36.00%                        | 56.00%       |
| Property                  | 6.75%                  | 7.50%        | 19.00%                        | 8.00%        |
| Fixed Interest - UK gilts | 2.50%                  | 4.00%        | 6.00%                         | 7.00%        |
| Fixed Interest - Other    | 4.70%                  | 5.40%        | 25.00%                        | 28.00%       |
| Cash                      | 2.65%                  | 3.90%        | 1.00%                         | 1.00%        |
| Diversified growth fund   | 5.10%                  | 0.00%        | 13.00%                        | 0.00%        |

The five year history of experience adjustments is as follows:

|  | <u>2011</u><br>£'000 | <u>2010</u><br>£'000 | <u>2009</u><br>£'000 | <u>2008</u><br>£'000 | <u>2007</u><br>£'000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Fair value of scheme liabilities             | 117,432              | 95,864               | 91,763               | 68,920               | 73,440               |
| Fair value of scheme assets                  | 98,411               | 90,968               | 77,094               | 64,800               | 72,400               |
| Experience adjustments on scheme liabilities | (3,046)              | 932                  | (2,929)              | 140                  | (856)                |
| Percentage of scheme liabilities (%)         | (3%)                 | 1%                   | (3%)                 | 0%                   | (1%)                 |
| Experience adjustments on scheme assets      | (3,719)              | 4,106                | 5,145                | (15,020)             | (1,827)              |
| Percentage of scheme assets (%)              | (4%)                 | 5%                   | 7%                   | (23%)                | (3%)                 |



**UPS LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)****19 PENSION COSTS****Lynx**

The Plan is a defined benefit plan providing benefits that are linked to salary near retirement or earlier date of leaving service. The Plan is closed to new entrants. An approximate actuarial valuation of the Plan was carried out by a qualified independent actuary as at 31 December 2011.

**Key assumptions used**

|                                   | <u>Valuation at</u> |             |
|-----------------------------------|---------------------|-------------|
|                                   | <u>2011</u>         | <u>2010</u> |
| Discount rate                     | 4.80%               | 5.50%       |
| Expected return on scheme assets  | 5.83%               | 6.59%       |
| Expected rate of salary increases | 3.30%               | 3.44%       |
| Future pension increases          |                     |             |
| - LPI at 5% pa                    | 3.00%               | 3.05%       |
| - LPI at 2.5% pa                  | 2.10%               | 2.15%       |
| Inflation                         | 3.05%               | 3.19%       |

**Mortality Assumptions**

At the balance sheet date, plan members were assumed to have the following life expectancies at age 60:

|                                  | <u>2011</u> | <u>2010</u> |
|----------------------------------|-------------|-------------|
| Retiring today                   |             |             |
| Male pensioner now aged 60       | 26          | 26          |
| Female pensioner now aged 60     | 29          | 29          |
| Retiring in 20 years             |             |             |
| Male non-pensioner now aged 40   | 28          | 28          |
| Female non-pensioner now aged 40 | 31          | 31          |

# **UPS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

### **19 PENSION COSTS (Continued)**

Amounts recognised in the profit and loss account in respect of the defined benefit scheme is as follows

|                                  | <u>2011</u>  | <u>2010</u> |
|----------------------------------|--------------|-------------|
|                                  | £'000        | £'000       |
| Current service cost             | 903          | 855         |
| Interest cost                    | 3,827        | 3,908       |
| Expected return on scheme assets | (5,002)      | (4,484)     |
|                                  | <u>(272)</u> | <u>279</u>  |

Of the charge for the year, £1,175,000 (2010 £576,000) has been included in interest receivable, and £903,000 (2010 £855,000) in administrative expenses. Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The return on scheme assets was £1,795,000 (2010 £9,133,000).

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is a loss of £10,522,000 (2010 gain of £874,000).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit scheme is as follows

|  | <u>2011</u>  | <u>2010</u>    |
|--|--------------|----------------|
|  | £'000        | £'000          |
| Present value of defined benefit obligations | 80,785       | 69,528         |
| Less fair value of scheme assets             | (78,235)     | (75,458)       |
| Deficit/(surplus) in scheme                  | <u>2,550</u> | <u>(5,930)</u> |
| Related deferred tax (Note 15)               | (612)        | 1,601          |
| Net Pension liability                        | <u>1,938</u> | <u>(4,329)</u> |

Movements in the present value of defined benefit obligations were as follows

|                                   | <u>2011</u>   | <u>2010</u>   |
|-----------------------------------|---------------|---------------|
|                                   | £'000         | £'000         |
| At 1 January                      | 69,528        | 68,005        |
| Service cost                      | 903           | 855           |
| Interest cost                     | 3,827         | 3,908         |
| Contributions from scheme members | 39            | 52            |
| Actuarial loss/(gain)             | 8,189         | (272)         |
| Benefits paid                     | (1,701)       | (3,020)       |
| At 31 December                    | <u>80,785</u> | <u>69,528</u> |

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**19 PENSION COSTS (Continued)**

Movements in the fair value of the scheme assets were as follows

|   | <u>2011</u>   | <u>2010</u>   |
|---|---------------|---------------|
|   | £'000         | £'000         |
| At 1 January                                | 75,458        | 66,394        |
| Expected return on scheme assets            | 5,002         | 4,484         |
| Actuarial (loss)/gain                       | (3,207)       | 4,649         |
| Contributions from the sponsoring companies | 2,644         | 2,899         |
| Contributions from scheme members           | 39            | 52            |
| Benefits paid                               | (1,701)       | (3,020)       |
| At 31 December                              | <u>78,235</u> | <u>75,458</u> |

|                         | <u>Expected return</u> |       | <u>% of total plan assets</u> |        |
|-------------------------|------------------------|-------|-------------------------------|--------|
|                         | 2011                   | 2010  | 2011                          | 2010   |
|                         | % pa                   | % pa  | %                             | %      |
| Equity instruments      | 7.75%                  | 7.25% | 34.00%                        | 68.00% |
| Property                | 6.75%                  | 7.50% | 12.00%                        | 4.00%  |
| Index linked - UK gilts | 2.50%                  | 3.80% | 8.00%                         | 9.00%  |
| Fixed Interest - Other  | 4.70%                  | 5.40% | 34.00%                        | 18.00% |
| Cash                    | 2.65%                  | 3.80% | 1.00%                         | 1.00%  |
| Diversified growth fund | 5.10%                  | 0.00% | 11.00%                        | 0.00%  |

The five year history of experience adjustments is as follows.

|  | <u>Dec 2011</u> | <u>Dec 2010</u> | <u>Dec 2009</u> | <u>Dec 2008</u> | <u>Dec 2007</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | £'000           | £'000           | £'000           | £'000           | £'000           |
| Fair value of scheme liabilities             | 80,785          | 69,528          | 68,005          | 58,200          | 62,000          |
| Fair value of scheme assets                  | 78,235          | 75,458          | 66,394          | 54,600          | 65,900          |
| Experience adjustments on scheme liabilities | (462)           | 1,035           | 1,447           | -               | -               |
| Percentage of scheme liabilities (%)         | (1%)            | 1%              | 2%              | 0%              | 0%              |
| Experience adjustments on scheme assets      | (3,207)         | 4,649           | 7,260           | (16,600)        | 2,300           |
| Percentage of scheme assets (%)              | (4%)            | 6%              | 11%             | (30%)           | 3%              |

## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

#### 19 PENSION COSTS

##### UPS Shared Cost Section of the Railways Pension Scheme

The UPS Shared Cost Section is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme. The section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The figures reported below therefore represent only the Company's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit.

The Plan is a defined benefit plan providing benefits that are linked to salary near retirement or earlier date of leaving service. The Plan is closed to new entrants. An approximate actuarial valuation of the Plan was carried out by a qualified independent actuary as at 31 December 2011.

The assets and liabilities of the plan were transferred from Red Star Parcels Limited during the year.

##### Key assumptions used

|                                   | <u>Valuation at</u> |             |
|-----------------------------------|---------------------|-------------|
|                                   | <u>2011</u>         | <u>2010</u> |
| Discount rate                     | 4.80%               | 5.50%       |
| Expected return on scheme assets  | 4.76%               | 5.56%       |
| Expected rate of salary increases | 3.30%               | 3.44%       |
| Future pension increases          | 1.85%               | 2.44%       |
| Inflation                         | 3.05%               | 3.19%       |

##### Mortality Assumptions

At the balance sheet date, plan members were assumed to have the following life expectancies at age 65.

|                      |   | <u>2011</u> | <u>2010</u> |
|----------------------|---|-------------|-------------|
| Retiring today       |   |             |             |
| Males                | Pension under £9,300 (2010: £8,500) pa, or pensionable pay under £35,000 (2010: £30,000) pa | 21          | 20          |
|                      | Others  | 23          | 22          |
| Females              | Pension under £3,300 (2010: £3,000) pa, or pensionable pay under £35,000 (2010: £30,000) pa | 22          | 22          |
|                      | Others  | 25          | 23          |
| Retiring in 20 years |   |             |             |
| Males                | Pension under £9,300 (2010: £8,500) pa, or pensionable pay under £35,000 (2010: £30,000) pa | 23          | 22          |
|                      | Others  | 25          | 24          |
| Females              | Pension under £3,300 (2010: £3,000) pa, or pensionable pay under £35,000 (2010: £30,000) pa | 25          | 23          |
|                      | Others  | 27          | 24          |

**UPS LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)****19 PENSION COSTS (Continued)**

Amounts recognised in the profit and loss account in respect of the defined benefit scheme is as follows

|  | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |
| Current service cost                                     | 10          | 10          |
| Interest cost  | 510         | 570         |
| Expected return on scheme assets                         | (910)       | (800)       |
| (Gain)/loss due to effect of limit on recoverable assets | <u>390</u>  | <u>220</u>  |
|  | -           | -           |

The return on scheme assets was £2,800,000 (2010 £1,740,000)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit

|  | <u>2011</u>     | <u>2010</u>     |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Present value of defined benefit obligations           | 16,370          | 15,640          |
| Less fair value  | <u>(31,780)</u> | <u>(27,700)</u> |
| (Surplus)/deficit in scheme                            | (15,410)        | (12,060)        |
| Adjustment for the members' share of (surplus)/deficit | 6,170           | 4,820           |
| Irrecoverable surplus                                  | 9,180           | 7,180           |
| Related deferred tax (Note 15)                         | <u>20</u>       | <u>20</u>       |
| Net Pension liability                                  | <u>(40)</u>     | <u>(40)</u>     |

**UPS LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)****19 PENSION COSTS (Continued)**

Movements in the present value of defined benefit obligations were as follows

|                       | <u>2011</u><br>£'000 | <u>2010</u><br>£'000 |
|-----------------------|----------------------|----------------------|
| At 1 January          | 15,640               | 16,710               |
| Service cost          | 10                   | 10                   |
| Interest cost         | 850                  | 950                  |
| Actuarial loss/(gain) | 460                  | (1,440)              |
| Benefits paid         | (590)                | (590)                |
|                       | <hr/>                | <hr/>                |
| At 31 December        | 16,370               | 15,640               |
|                       | <hr/>                | <hr/>                |

Movements in the fair value of the scheme assets were as follows

|   | <u>2011</u><br>£'000 | <u>2010</u><br>£'000 |
|---|----------------------|----------------------|
| At 1 January                                | 27,700               | 25,380               |
| Expected return on scheme assets            | 1,520                | 1,330                |
| Actuarial gain                              | 3,150                | 1,570                |
| Contributions from the sponsoring companies | -                    | 10                   |
| Benefits paid                               | (590)                | (590)                |
|   | <hr/>                | <hr/>                |
| At 31 December                              | 31,780               | 27,700               |
|   | <hr/>                | <hr/>                |

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011  
(CONTINUED)**

**19 PENSION COSTS (Continued)**

|                      | <u>Expected return</u> |              | <u>Value at 31 December</u> |               |
|----------------------|------------------------|--------------|-----------------------------|---------------|
|                      | 2011<br>% pa           | 2010<br>% pa | 2011<br>£'000               | 2010<br>£'000 |
| Equity instruments   | 7.75%                  | 7.25%        | 6,110                       | 5,480         |
| Government bonds     | 2.50%                  | 4.00%        | 7,520                       | 3,990         |
| Non-Government bonds | 4.70%                  | 5.40%        | 18,040                      | 18,210        |
| Property             | 6.75%                  | 7.50%        | -                           | -             |
| Other assets         | 2.65%                  | 3.90%        | 110                         | 20            |

**The five year history of experience adjustments is as follows**

|  | <u>Dec 2011</u><br>£'000 | <u>Dec 2010</u><br>£'000 | <u>Dec 2009</u><br>£'000 | <u>Dec 2008</u><br>£'000 | <u>Dec 2007</u><br>£'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fair value of scheme liabilities             | 16,370                   | 15,640                   | 16,710                   | 13,830                   | 15,450                   |
| Fair value of scheme assets                  | 31,780                   | 27,700                   | 25,380                   | 23,450                   | 25,780                   |
| Experience adjustments on scheme liabilities | 90                       | 310                      | (10)                     | (630)                    | (180)                    |
| Percentage of scheme liabilities (%)         | 1%                       | 2%                       | 0%                       | (5%)                     | (1%)                     |
| Experience adjustments on scheme assets      | (1,890)                  | (940)                    | (540)                    | 2,030                    | (400)                    |
| Percentage of scheme assets (%)              | (6%)                     | (3%)                     | (2%)                     | 9%                       | (2%)                     |

# **UPS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

### **20 FINANCIAL COMMITMENTS**

|                                       | <u>2011</u><br>£'000 | <u>2010</u><br>£'000 |
|---------------------------------------|----------------------|----------------------|
| <b>Capital Commitments</b>            |                      |                      |
| Authorised but not yet contracted for | 4 300                | 13,186               |

#### **Operating lease commitments**

At 31 December 2011 the company and group had commitments during the next financial year in respect of non-cancellable operating leases as follows

|                              | <u>Land &amp; buildings</u> |               | <u>Other</u>  |               |
|------------------------------|-----------------------------|---------------|---------------|---------------|
|                              | 2011<br>£'000               | 2010<br>£'000 | 2011<br>£'000 | 2010<br>£'000 |
| Expiring within 1 year       | 335                         | 407           | 146           | 616           |
| Expiring during years 2 to 5 | 3,686                       | 3,160         | 1,540         | 10            |
| Expiring thereafter          | 4,650                       | 5 350         | -             | 364           |
|                              | <u>8,671</u>                | <u>8 917</u>  | <u>1 686</u>  | <u>990</u>    |

#### **Obligations under finance leases and hire purchase contracts**

|                              | 2011<br>£'000 | 2010<br>£'000 |
|------------------------------|---------------|---------------|
| Expiring within 1 year       | 244           | 231           |
| Expiring during years 2 to 5 | 110           | 244           |
| Expiring thereafter          | -             | 110           |
|                              | <u>354</u>    | <u>585</u>    |

These leases are secured over fixed assets as disclosed in note 8

### **21 CONTINGENT LIABILITIES**

UPS UK Holding Limited, the parent undertaking, has entered into a Composite Accounting Agreement with its bankers whereby the company has a full right of set-off of bank balances and interest between the company and three other group companies, including UPS Ltd.

At the year end, the company has in issue 2 Bonds and Guarantee in favour of HM Customs & Excise for £33 000 000 and £510 000 respectively (2011: £33 000 000 and £510 000).



**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DEC EMBER 2011  
(CONTINUED)**

**22 RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption contained within FRS8 (Related Party Transactions) which allows the company not to disclose transactions with group entities or investees of the group qualifying as related parties

**23 ULTIMATE PARENT UNDERTAKING**

The company is a direct subsidiary of UPS (UK Holding) 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. United Parcel Service, Inc. comprises the smallest and largest group for which consolidated accounts are prepared including the results of this company.

UPS (UK Holding) Limited has taken advantage of the exemption granted under section 228A of the Companies Act 2006 not to produce group accounts.

Copies of the financial statements for UPS (UK Holding) Limited. Registered office UPS House, Forest Road, Feltham, Middlesex TW13 7DY, are available from Companies House, Crown Way, Mandy, Cardiff CF14 3UZ. Copies of the financial statements for United Parcel Service, Inc. are available from UPS House, Forest Road, Feltham, Middlesex TW13 7DY.