

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

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

WEDNESDAY



A09 \*ALC3YEAW\* 344  
21/10/2009  
COMPANIES HOUSE

# **UPS LIMITED**

## **Report and financial statements 2008**

<b>Contents</b>	<b>Page</b>
Officers and Professional advisers	1
Directors' Report & Statement of Directors' responsibilities	2
Independent Auditors' Report	5
Profit and Loss account	6
Statement of total recognised gains and losses	7
Balance Sheet	8
Notes to the financial statements	9

**UPS LIMITED**

**Officers and Professional advisers**

**Directors**

J Barber  
W Flick  
HM Mensing  
C Cubias

**Company Secretary**

C Cubias

**Registered office**

UPS House  
Forest Road  
Feltham  
Middlesex  
TW13 7DY

**Registered number**

01933173

**Solicitors**

Barlow Lyde & Gilbert  
Beaufort House  
15 St Botolph Street  
London  
EC3 A7JL

**Bankers**

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

**Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
4 Brindley Place  
Birmingham, UK  
B1 2HZ

## **UPS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

The directors submit herewith their annual report and the audited financial statements for the year ended 31 December 2008.

#### **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**

On 31st December 2008, UPS purchased all the assets and liabilities of Lynx Express Limited by way of an asset transfer agreement, which is recognised in the reserves of these statements. UPS paid a consideration of £1 for these assets and liabilities. Assets were transferred over at fair value, which amounted to a liability of £72,263,000.

Due to this asset transfer occurring, net liabilities at the year end have increased to £85,440,000, compared to an opening position of £7,308,000. Despite this, UPS intends to expand its operations both domestically and internationally, as all trading from Lynx Express has also been transferred over.

The directors are expecting to arrange a capital infusion later in 2009, which will produce positive equity and reduce leverage.

#### **GOING CONCERN**

The Companies forecasts and projections, taking into account of changes in trading performance with the transfer of Lynx Express' trade during the year, and the economic slow down, show that the Company will continue to grow and increase its turnover. The directors believe this to be a realistic plan, and can see no reason why this should not be accomplished.

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

#### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6 of the financial statements and show an operating profit of £1,598,000 (2007 - profit of £10,302,000) on turnover of £524,729,000 (2007 - £425,342,000). Net total liabilities at 31 December was £85.4 million (2007 : £7.3 million). The reason for the increase in liabilities is due to UPS acquiring Lynx Express Limited through a hive up. 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	
HM Mensing	
E Plamp	(resigned 31 January 2008)
C Cubias	(appointed 31 January 2008)
J Barber	

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.

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

Disabled persons are employed by the group 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 group.

#### **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.

## **UPS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

#### **DONATIONS**

Charitable donations of £nil were paid in the year (2007 - £Nil).

No political donations were made in the year (2007 - £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.

#### **FINANCIAL RISK MANAGEMENT**

The company is exposed to price risks, including market, currency and interest rate risk, along with credit, liquidity and cash flow 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.

## UPS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year. Directors are responsible for preparing the annual return and financial statements in accordance with applicable laws and regulations. Under those laws directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
- 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 auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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.



C Cubias  
Company Secretary  
15 October 2009

## UPS LIMITED

### Independent auditors' report to the members of UPS Limited

We have audited the financial statements of UPS Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein

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

#### Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Birmingham, UK

19 October 2009

**UPS LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>Notes</u>	2008 £'000	2007 £'000
<b>Turnover</b>	2	524,729	425,342
Cost of sales		(469,926)	(368,748)
<b>Gross profit</b>		54,803	56,594
Administrative expenses		(53,205)	(46,453)
Other operating income		-	161
<b>Operating profit</b>	3	1,598	10,302
Interest receivable and similar income	4	2,553	1,479
Interest payable and similar charges	5	(2,480)	(1,897)
<b>Profit on ordinary activities before taxation</b>		1,671	9,884
Tax on profit on ordinary activities	6	(1,460)	(2,281)
<b>Profit on ordinary activities after taxation</b>		211	7,603
<b>Retained profit for the year</b>	18	211	7,603

The notes on pages 9 to 25 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 2008**

	2008 £'000	2007 £'000
Profit for the year transferred to reserves	211	7,603
Actuarial (loss) / gain relating to the Pension Scheme	(6,080)	8,206
UK deferred tax attributable to the actuarial (loss) / gain	-	(2,462)
	<hr/>	<hr/>
Total recognised (losses) and gains relating to the year	(5,869)	13,347
	<hr/>	<hr/>

**UPS LIMITED**

**BALANCE SHEET - 31 DECEMBER 2008**

	<u>Notes</u>	<u>2008</u> £'000	<u>2008</u> £'000	<u>2007</u> £'000	<u>2007</u> £'000
<b>FIXED ASSETS</b>					
Tangible assets	8		116,091		90,210
Investments	9		6,585		2,349
			<u>122,676</u>		<u>92,559</u>
<b>CURRENT ASSETS</b>					
Stocks	10	625		278	
Debtors falling due after one year	11	-		3,442	
Debtors falling within one year	11	116,859		76,826	
Cash at bank and in hand		14,055		13,690	
		<u>131,539</u>		<u>94,236</u>	
<b>CREDITORS - amounts falling due within one year</b>	12	(326,913)		(190,571)	
<b>NET CURRENT LIABILITIES</b>			(195,374)		(96,335)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(72,698)</u>		<u>(3,776)</u>
<b>CREDITORS - amounts falling due after one year</b>	13		(803)		-
<b>PROVISIONS FOR LIABILITIES</b>	14		(4,219)		(2,787)
<b>NET LIABILITIES EXCLUDING PENSION LIABILITY</b>			<u>(77,720)</u>		<u>(6,563)</u>
Pension - defined benefit liabilities	19 / 20		(7,720)		(745)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>			<u>(85,440)</u>		<u>(7,308)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		2		2
Share premium	17		28,125		28,125
Group reconstruction reserve	17		(72,263)		-
Profit and loss account	17		(41,304)		(35,435)
<b>SHAREHOLDERS' DEFICIT</b>	18		<u>(85,440)</u>		<u>(7,308)</u>

The notes on pages 9 to 25 form part of these financial statements.

The financial statements were approved by the Board on 15 October 2009 and signed on their behalf by:

C Cubias  
DIRECTOR



## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

#### 1 ACCOUNTING POLICIES

##### 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.

##### Group accounts

The company has taken advantage of the exemption granted under section 228A of the Companies Act 1985 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
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 2008 (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 substantially 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 than 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.

#### **Going Concern**

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

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(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 OPERATING PROFIT**

	Note	2008 £'000	2007 £'000
Operating profit is stated after charging/ (crediting):			
Depreciation:			
- Owned tangible fixed assets		9,748	6,055
Profit on disposal of fixed assets		(364)	(68)
Loss on foreign currency exchange		-	(23)
Auditors' remuneration:			
- Fees payable to the Companies auditors for audit of the companies accounts	23	76	88
- Tax services	23	48	66
Operating lease charges:			
- Plant and machinery		2,899	2,182
- Other assets		5,815	5,445

**4 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008 £'000	2007 £'000
Bank interest receivable	835	691
Amounts due to group undertakings	721	722
Other Interest Receivable	157	-
Net income from Pension Scheme	840	66
	<u>2,553</u>	<u>1,479</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2008 £'000	2007 £'000
Bank loans and overdrafts	-	142
Amounts owed to group undertakings	2,349	1,755
Other interest payable	131	-
	<u>2,480</u>	<u>1,897</u>

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

<b>6 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on (loss) / profit of the year at 30% (2007 : 28%/30%)	(984)	1,996
UK corporation tax - adjustments in respect of prior years	-	(995)
<b>Total current tax</b>	<b>(984)</b>	<b>1,001</b>
<b>Deferred tax:</b>		
Pension movement	-	-
Current year movements	-	814
Adjustments in respect of prior years	2,444	466
<b>Total deferred tax</b>	<b>2,444</b>	<b>1,280</b>
<b>Tax on profit for the year</b>	<b>1,460</b>	<b>2,281</b>

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 (28%/30%). The differences are explained below:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	1,671	9,884
Profit on ordinary activities at the standard UK rate of tax (28/30%)	476	2,965
Capital allowances versus depreciation	2,633	1,659
Short term timing differences	1,154	(2,473)
Prior period revisions	(984)	(995)
Pension deduction	(1,191)	877
Group relief claimed	(3,735)	(1,240)
Items not deductible for tax purposes	663	208
	<b>(984)</b>	<b>1,001</b>

Deferred tax assets/liabilities have not been discounted.

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

**7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

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

	2008 Number	2007 Number
Office and management	1,678	1,439
Operators	2,638	2,593
	<hr/> 4,316	<hr/> 4,032

Staff costs during the year amounted to:

	2008 £'000	2007 £'000
Wages and salaries	107,922	94,296
Social security costs	9,841	9,076
Other pension costs	2,592	3,999
	<hr/> 120,355	<hr/> 107,371

	2008 £'000	2007 £'000
The aggregate amount of directors' emoluments excluding pension	<hr/> 1,063	<hr/> 763
The emoluments of the highest paid director - excluding pension	<hr/> 686	<hr/> 490
The accrued pension of the highest paid director - defined benefit	<hr/> -	<hr/> -

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

**8 TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Long Leasehold Land and Buildings £'000	Owned Plant and Machinery £'000	Total £'000
<b><u>Cost or valuation</u></b>					
At 1 January 2008	43,668	4,015	-	106,405	154,088
Transfer from Lynx Express Limited	13,002	-	3,258	21,306	37,566
Transfer	-	4	-	122	126
Additions	364	671	-	10,701	11,736
Disposals	(1,208)	(11)	-	(1,194)	(2,413)
Reclassification	245	(620)	-	375	-
At 31 December 2008	56,071	4,059	3,258	137,715	201,103
<b><u>Depreciation</u></b>					
At 1 January 2008	4,180	3,391	-	56,307	63,878
Transfer from Lynx Express Limited	673	-	1,393	10,354	12,420
Transfer	-	-	-	34	34
Charge for the year	658	146	-	8,944	9,748
Disposals	(267)	-	-	(801)	(1,068)
Reclassification	582	(581)	-	(1)	-
At 31 December 2008	5,826	2,956	1,393	74,837	85,012
<b><u>Net book value</u></b>					
At 31 December 2008	50,245	1,103	1,865	62,878	116,091
At 31 December 2007	39,488	624	-	50,098	90,210

Included within freehold land and buildings is land at a cost of £23,898,000 (2007: £15,352,676) that is not depreciated. The market value of this Land is £23,898,000.

The directors are satisfied that the asset valuations as at 31 December 2008 are fair given the current market conditions

Fixed assets under finance lease and hire purchase contracts had a net book value at 31st December 2008 of £1,124,635 (2007 - £Nil)

Assets transferred from Lynx Express Limited were transferred over at their net book value, and will not be revalued in the near future.



# **UPS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)**

### **9 INVESTMENTS HELD AS FIXED ASSETS**

	<b>Subsidiary Undertaking £000</b>
<b>Cost</b>	
At 1 January 2008	2,349
Additions	4,236
At 31 December 2008	<u>6,585</u>

The company holds 100% of the issued shares and voting rights in the following subsidiary undertakings except for Red Star Parcels Limited which is a wholly owned subsidiary of Red Star Ltd , Lynx Express BV which is a wholly owned subsidiary of Lynx Holdings BV and Carryfast Limited which is a wholly owned subsidiary of Carryfast Holdings Ltd.

	Class of Share Held	Proportion Held	Nature of Business
Carryfast Holdings Limited	Ordinary	100%	Holding Company
St. David's Way Limited	Ordinary	100%	Property Company
Lynx Express Management Services Ltd	Ordinary	100%	Payroll Company
Lynx Express Pension Trustees Limited	Ordinary	100%	Dormant
Lynx Euroexpress Limited	Ordinary	100%	Dormant
Red Star Limited	Ordinary	100%	Dormant
Red Star Parcels Limited	Ordinary	100%*	Non Trading
Lynx Holdings BV	Ordinary	100%	Transport company
Lynx Express BV	Ordinary	100%*	Transport company
Carryfast Limited	Ordinary	100%*	Non trading

\* Indirect holding

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**

	2008 £'000	2007 £'000
Consumable stores	625	278
	<u>        </u>	<u>        </u>

### **11 DEBTORS**

	2008 £'000	2007 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	91,661	70,344
Amounts owed by subsidiary undertakings	17,794	823
Corporation tax recoverable	270	1,213
Other debtors	2,419	2,254
Inter Company Loans	1,266	-
Prepayments and accrued income	3,449	2,192
	<u>116,859</u>	<u>76,826</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset	<u>-</u>	<u>3,442</u>

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

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

	2008 £'000	2007 £'000
Trade creditors	3,885	2,411
Amounts owed to subsidiary undertakings	132,265	156,061
Finance leases	204	-
Other creditors	673	203
Other taxation and social security	10,047	9,143
Accruals and deferred income	28,471	22,753
Inter Company Loans	151,368	-
	<u>326,913</u>	<u>190,571</u>

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

	2008 £'000	2007 £'000
Finance leases	803	-
	<u>803</u>	<u>-</u>

**14 PROVISIONS FOR LIABILITIES**

	<u>Onerous Lease</u> £'000	<u>Dilapidations</u> £'000	<u>Total</u> £'000
At 1 January 2008	(1,066)	(1,721)	(2,787)
Charge to profit and loss account	312	(448)	(136)
Transferred from Lynx Express Limited	(1,296)	-	(1,296)
	<u>(2,050)</u>	<u>(2,169)</u>	<u>(4,219)</u>
At 31 December 2008	(2,050)	(2,169)	(4,219)

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 five years to restore the conditions of the properties. The operating lease provisions are expected to be utilized within three years.

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**  
**(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 (assets)/liabilities	
	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	-	97
Tax losses	-	-
Other timing differences	-	(3,539)
Deferred Tax Creditor/(Debtor)	-	(3,442)
Deferred tax on Pensions	-	(290)
<b>Total Deferred Tax Debtor</b>	-	(3,732)
	Not Provided (assets)/liabilities	
	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	(1,756)	-
Tax losses	(6,459)	-
Other timing differences	(3,084)	-
Deferred Tax Debtor	(11,299)	-

The deferred tax asset has not been provided for at the year end due to the net liabilities position. The directors believe that due to this, and the tax losses being carried forward, the Company will not be in a tax paying position for a number of years.

	Deferred tax asset £'000
At 1 January 2008	(3,732)
Charge to profit and loss account (Note 6)	2,444
Movement in Pension liabilities	1,288
At 31 December 2008	-

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**  
**(CONTINUED)**

**16 CALLED UP SHARE CAPITAL**

	2008 £'000	2007 £'000
<b>Authorised:</b>		
100,000 Ordinary Shares of £1 each	100	100
<b>Called up, allotted and fully paid:</b>		
2,000 Ordinary Shares of £1 each	2	2

**17 RESERVES**

	Share Capital £'000	Share Premium £'000	Group reconstruction reserve £'000	Profit and loss account £'000
At 1 January 2008	2	28,125	-	(35,435)
Profit for the year	-	-	-	211
Actuarial Loss relating to the Pension Scheme	-	-	-	(6,080)
Asset/(Liability) transfer from Lynx Express Limited	-	-	(72,263)	-
At 31 December 2008	2	28,125	(72,263)	(41,304)

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

	2008 £'000	2007 £'000
Opening shareholders' deficit	(7,308)	(20,655)
Profit for the financial year	211	7,603
Actuarial (loss) / gain relating to the Pension Scheme	(6,080)	8,206
UK deferred tax attributable to the actuarial (loss) / gain	-	(2,462)
Liability transfer from Lynx Express Limited	(72,263)	-
Closing shareholders' deficit	(85,440)	(7,308)

## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (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 £3,610,000 (2007 : £10,513,000) represents contributions payable to this scheme by the group at rates specified in the rules of the plans. As at 31 December 2008, contributions of £425,107 (2007 : £392,382) was due in respect of the current reporting period had not been paid over in the schemes.

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

The Defined Benefit section is closed to new entrants. An approximate actuarial valuation of the Defined Benefit section was carried out at 31 December 2008 by Mr. M. C. Rawe, Fellow of the Institute of Actuaries. This was based on the results of the formal actuarial valuation of the Plan as at 1 April 2006.

With respect to the UPS Ltd pension scheme, all charges and income have been recorded in the profit and loss account during the year. The net liability disclosed in the balance sheet represents both the UPS Ltd and the Lynx Express Ltd pension scheme (UPS Ltd : £4,120; Lynx Express Ltd : £3,600)

##### Key assumptions used:

	Valuation at	
	2008	2007
Discount rate	6.10%	5.90%
Expected return on scheme assets	6.59%	7.11%
Expected rate of salary increases	3.70%	4.20%
Future pension increases		
- price inflation, capped at 5% pa	2.65%	3.05%
- price inflation, capped at 2.5% pa	2.00%	2.30%
Inflation	2.70%	3.20%

##### Mortality Assumptions

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

	2008	2007
Retiring today:		
Male pensioner now aged 60	25	25
Female pensioner now aged 60	28	28
Retiring in 20 years:		
Male non-pensioner now aged 40	26	26
Female non-pensioner now aged 40	29	29

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

	2008	2007
	£'000	£'000
Current service cost	1,450	1,615
Interest cost	4,380	4,132
Expected return on scheme assets	(5,220)	(4,198)
	610	1,549

Of the charge for the year, £840,000 (2007 : £66,000) has been included in interest receivable, and £1,450,000 (2007 : £1,615,000) in administrative expenses. Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The loss on scheme assets was £9,800,000 (2007 : return of £2,371,000).

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 £18,054,000 (2007 : deficit of £11,974,000).

**UPS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008**  
**(CONTINUED)**

**19 PENSION COSTS (Cont'd)**

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>2008</u>	<u>2007</u>
	£'000	£'000
Present value of defined benefit obligations	68,920	73,440
Fair value of scheme assets	64,800	72,400
Deficit in scheme	4,120	1,040
Related deferred tax	-	(295)
Net Pension liability	<u>4,120</u>	<u>745</u>

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

	<u>2008</u>	<u>2007</u>
	£'000	£'000
At 1 January	73,440	78,989
Service cost	1,450	1,615
Interest cost	4,380	4,132
Contributions from scheme members	440	507
Actuarial gains	(8,940)	(10,034)
Benefits paid	(1,850)	(1,769)
At 31 December	<u>68,920</u>	<u>73,440</u>

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

	<u>2008</u>	<u>2007</u>
	£'000	£'000
At 1 January	72,400	60,784
Expected return on scheme assets	5,220	4,198
Actuarial losses	(15,020)	(1,833)
Contributions from the sponsoring companies	3,610	10,513
Contributions from scheme members	440	507
Benefits paid	(1,850)	(1,769)
	<u>64,800</u>	<u>72,400</u>

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

**19 PENSION COSTS (Cont'd)**

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>	
	2008 % pa	2007 % pa	2008 % pa	2007 % pa
Equity instruments	7.25%	8.05%	47.00%	55.00%
Property	7.25%	8.05%	6.00%	7.00%
Fixed Interest - UK gilts	3.75%	4.55%	9.00%	8.00%
Fixed Interest - Other	6.70%	5.88%	35.00%	29.00%
Cash	2.00%	5.50%	3.00%	1.00%

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

	<u>2008</u> £'000	<u>2007</u> £'000	<u>2006</u> £'000	<u>2005</u> £'000	<u>2004</u> £'000
Fair value of scheme liabilities	68,920	73,440	78,989	77,472	62,621
Fair value of scheme assets	64,800	72,400	60,784	47,515	36,993
Experience adjustments on scheme liabilities	140	(856)	(850)	329	1,448
Percentage of scheme liabilities (%)	0%	(1%)	(1%)	0%	2%
Experience adjustments on scheme assets	(15,020)	(1,827)	833	5,962	1,521
Percentage of scheme assets (%)	(23%)	(3%)	1%	13%	4%

## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

#### 20 PENSION COSTS

The principal pension scheme for group employees is the Lynx Express Pension Plan which is a defined contribution plan, except that the Plan includes certain sections comprising of former NFC Retirement Plan members, which are defined benefit sections. The assets of the Scheme are invested in a Trustee administered fund. The Scheme is funded by contributions from employees and the company, the latter being charged against profits each year.

The ongoing funding level of the Lynx Express Limited Pension Plan was assessed by a qualified actuary in a valuation dated 31 January 2005. At that date, the market value of assets of the Scheme (excluding any Additional Voluntary Contribution funds and annuity contracts held with insurance companies) amounted to £58.6 million.

In the opinion of the Actuary, at the valuation date the Scheme had an on-going funding level of 83% and showed a corresponding deficit of £11.2 million.

Monthly contributions were also made during the period at the following rates:

<u>Age at 6 April</u>	<u>Contribution Rate - % of Pensionable Earnings</u>	
	<u>Member</u>	<u>Company</u>
30 and under	2.50%	2.50%
31-35	2.50%	3.00%
36-40	2.50%	3.50%
41-43	3.50%	4.50%
44-46	3.50%	6.50%
47 and above	4.50%	7.50%

The total cost is shown, and detailed in the accounts of Lynx Express Limited for the year ended 31 December 2008 and 2007.

The Defined Benefit section is closed to new entrants. An approximate actuarial valuation of the Defined Benefit section was carried out at 31 December 2008 by Mr.J. Starr, Fellow of the Institute of Actuaries. This was based on the results of the formal actuarial valuation of the Plan as at 31 March 2006.

#### Key assumptions used:

	<u>Valuation at</u>	
	<u>2008</u>	<u>2007</u>
Discount rate	6.10%	5.90%
Expected return on scheme assets	7.20%	6.40%
Expected rate of salary increases	3.70%	4.20%
Future pension increases		
- LPI at 5% pa	2.65%	3.05%
- RPI	2.70%	3.20%
- LPI at 2.5% pa	2.00%	2.50%
Inflation	2.70%	3.20%

No amounts were recognised in the profit and loss account of UPS Limited in respect of the defined benefit scheme, amounts were recognised in the financial statements of Lynx Express Limited.

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>2008</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Present value of defined benefit obligations	58,200	62,000
Fair value of scheme assets	54,600	65,900
Deficit / (surplus) in scheme	3,600	(3,900)
Related deferred tax liability	-	1,125
Net Pension liability / (asset)	<u>3,600</u>	<u>(2,775)</u>



**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

**20 PENSION COSTS (Cont'd)**

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

	<u>2008</u>	<u>2007</u>
	£'000	£'000
At 1 January	62,000	64,800
Service cost	1,600	2,600
Interest cost	3,600	3,400
Contributions from scheme members	400	500
Actuarial gains	(6,200)	(7,100)
Benefits paid	(3,200)	(2,200)
	<u>58,200</u>	<u>62,000</u>
At 31 December	58,200	62,000

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

	<u>2008</u>	<u>2007</u>
	£'000	£'000
At 1 January	65,900	58,100
Expected return on scheme assets	4,800	3,800
Actuarial (gains) / losses	(16,600)	2,300
Contributions from the sponsoring companies	3,700	3,800
Contributions from scheme members	400	500
Benefits paid	(3,200)	(2,200)
Other adjustments	(400)	(400)
	<u>54,600</u>	<u>65,900</u>
At 31 December	54,600	65,900

	<u>Expected return</u>		<u>% of total plan assets</u>	
	2008	2007	2008	2007
	% pa	% pa		
Equity instruments	7.25%	8.05%	66.00%	69.00%
Debt Securities	7.25%	8.05%	34.00%	31.00%
Cash	2.00%	5.50%	0.00%	0.00%

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

	<u>Dec 2008</u>	<u>Dec 2007</u>	<u>Dec 2006</u>	<u>Sept 2005</u>	<u>Sept 2004</u>
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme liabilities	58,200	62,000	64,800	58,100	47,400
Fair value of scheme assets	54,600	65,900	58,100	48,500	39,200
Experience adjustments on scheme liabilities	-	-	-	500	(200)
Percentage of scheme liabilities (%)	0%	0%	0%	1%	0%
Experience adjustments on scheme assets	16,600	(2,300)	(3,900)	(5,300)	(1,700)
Percentage of scheme assets (%)	30%	(3%)	(7%)	(11%)	(4%)

**UPS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008  
(CONTINUED)**

**21 FINANCIAL COMMITMENTS**

	2008 £'000	2007 £'000
<b>Capital Commitments</b>		
Authorised but not yet contracted for:	19,946	19,939

**Operating lease commitments**

At 31 December 2008 the company and group had commitments during the next financial year in respect of non-cancellable operating leases as follows:

	Land & buildings		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Expiring within 1 year	498	-	885	-
Expiring during years 2 to 5	2,455	2,344	2,684	784
Expiring thereafter	4,934	2,121	-	865
	<u>7,887</u>	<u>4,465</u>	<u>3,569</u>	<u>1,649</u>

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

	2008 £'000	2007 £'000
Expiring within one year	204	-
Expiring during one and two years	217	-
Expiring during two and five years	586	-
	<u>1,007</u>	<u>-</u>

**22 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 £27,000,000 and £510,000 respectively. (2007: £27,000,000 and £510,000).

**23 DISCLOSURE OF AUDITORS' REMUNERATION**

	2008 £'000	2007 £'000
Fees payable to company's auditors for the audit of the company accounts	76	88
Other services : Taxation	48	66
	<u>141</u>	<u>173</u>

## UPS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

#### 24 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 1985 not to produce group accounts.

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

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.

#### 25 ACQUISITION OF LYNX EXPRESS LIMITED

In December 2008, the Company acquired, through a hive up, the trade and assets of Lynx Express Limited. The hive-up was completed on 31 December 2008.

At the date of transfer, the net assets were hived-up at a revalued amount which equals fair value. £1 consideration was paid.

	Revalued amount £'000
Land, buildings, plant and machinery	25,145
Investments	4,235
Stocks	222
Trade and other debtors	82,311
Cash, bank and overdrafts	9
Trade and other creditors	(184,185)
	<hr/> (72,263) <hr/>
Satisfied by:	
Inter-Company loan (£1)	<hr/> - <hr/>
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	<hr/> 9 <hr/>

Lynx Express Limited contributed £Nil of revenue and a loss of £Nil to the Company's profits before tax for the period between the date of the acquisition and the balance sheet date.

If the acquisition of Lynx Express Limited had been completed on the first date of the financial year, the Company's revenues for the period would have been £620,193,000 and Company loss before tax attributable to equity holders of the parent would have been £36,547,000.