

**Company Registration No. 1933173**

**UPS LIMITED**

**Report and Financial Statements**

**31 December 2000**

**Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR**



# **UPS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2000**

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# **UPS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2000**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

M Kiely  
B Meyer  
H Mensing  
J D Warrick

#### **SECRETARY**

M Kiely

#### **REGISTERED OFFICE**

UPS House  
Forest Road  
Feltham  
Middlesex TW13 7DY

#### **SOLICITORS**

Lovells  
65 Holborn Viaduct  
London EC1A 2DY

#### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

# **UPS LIMITED**

## **DIRECTORS' REPORT**

The directors submit their report and financial statements for the year ended 31 December 2000.

## **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activities of the company are to provide domestic and international parcel delivery services and the provision of 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.

## **FUTURE PROSPECTS**

The company intends to continue to expand its operations both domestically and internationally.

## **RESULTS AND DIVIDENDS**

The loss for the year before taxation was £4,771,359 (1999 - £10,677,496). The directors do not recommend the payment of a dividend (1999 - £nil).

United Parcel Service Inc., the company's ultimate parent company, has agreed to make sufficient finance available to the company to enable it to meet its obligations as they fall due.

## **DIRECTORS AND THEIR INTERESTS**

The following directors held office throughout the year, except as noted:

J Smith	(resigned 1 June 2001)
M Kiely	(appointed 1 June 2001)
B Meyer	
R Pulito	(resigned 25 September 2000)
H Mensing	
J D Warrick	(appointed 25 September 2000)

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

## **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.

## **EMPLOYEE INVOLVEMENT**

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

## **SUPPLIER PAYMENT POLICY**

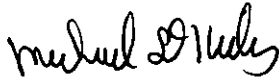
The company's policy for the payment of its suppliers is to agree the terms of payment in advance and, provided a supplier performs in accordance with the agreement, to abide by such terms.

## DIRECTORS' REPORT

### AUDITORS

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

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



Mike Kiely

26/10

2001

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the 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 accounting standards have been followed; and
- prepare the financial statements on a 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' REPORT TO THE MEMBERS OF UPS LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared under applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche

Chartered Accountants and  
Registered Auditors

*2 October* 2001

# UPS LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2000

	Note	2000 £	1999 £
<b>TURNOVER</b>	2	262,127,947	206,243,243
Cost of sales		(205,087,728)	(172,401,848)
Gross profit		57,040,219	33,841,395
Administrative expenses		(61,653,382)	(44,075,289)
<b>OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(4,613,163)	(10,233,894)
Interest receivable and similar income		78,833	58,732
Interest payable and similar charges	3	(237,029)	(502,333)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION FOR THE FINANCIAL YEAR</b>	4	(4,771,359)	(10,677,495)
Loss brought forward		(55,963,108)	(45,285,612)
Loss carried forward		(60,734,467)	(55,963,107)

All activities are continuing. There are no recognised gains or losses in the year or the preceding year other than those disclosed in the profit and loss account.



**BALANCE SHEET**  
**31 December 2000**

	Note	2000 £	1999 £
<b>FIXED ASSETS</b>			
Intangible assets	6	3,131,925	5,646,815
Tangible assets	7	30,286,037	30,686,698
Investments	8	2,349,356	2,349,356
		<u>35,767,318</u>	<u>38,682,869</u>
<b>CURRENT ASSETS</b>			
Stocks	9	357,333	374,429
Debtors	10	91,943,335	69,752,564
Cash at bank and in hand		5,713,064	1,830,887
		<u>98,013,732</u>	<u>71,957,880</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(165,256,029)</u>	<u>(136,586,078)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(67,242,297)</u>	<u>(64,628,198)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(31,474,981)</u>	<u>(25,945,329)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(1,132,881)</u>	<u>(1,891,173)</u>
<b>TOTAL NET LIABILITIES</b>		<u>(32,607,860)</u>	<u>(27,836,502)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	2,000	2,000
Share premium account	16	28,124,606	28,124,606
Profit and loss account – deficit		<u>(60,734,466)</u>	<u>(55,963,107)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	17	<u>(32,607,860)</u>	<u>(27,836,501)</u>

These financial statements were approved by the Board of Directors on *26 October* 2001.

Signed on behalf of the Board of Directors

*Michael Kiely*

Mike Kiely

*26/10/01*

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2000**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Group accounts**

The company has taken advantage of the exemption granted under section 228 of the Companies Act 1985 not to produce group accounts, since it is a subsidiary of UPS (UK) Limited which itself produces consolidated financial statements which include the results of UPS Limited.

**Intangible fixed assets**

Goodwill arising on the purchase of unincorporated businesses is amortised over ten years in common with the policy of the ultimate parent company.

**Tangible fixed assets**

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.

The rates used and applied to original cost are such as will fully depreciate the assets over the following periods:

Freehold buildings	20 to 40 years
Leasehold premises	Over life of lease
Fixtures, fittings, tools and equipment	3 to 10 years
Motor vehicles	3 to 11 years

Freehold land has not been depreciated.

**Investments**

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

**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 transactions. 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.

**Pension costs**

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2000**

**1. ACCOUNTING POLICIES (continued)**

**Leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

**2. TURNOVER**

Turnover represents the value of services provided to customers of UPS Limited for forwarding of parcels both domestically and internationally and the provision of 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 and pre-tax losses were wholly attributable to the provision of services within the United Kingdom as forwarders and customs clearance agents.

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	2000 £	1999 £
Finance lease charges	<u>237,029</u>	<u>502,333</u>

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2000 £	1999 £
The loss on ordinary activities before taxation was arrived at after charging:		
Auditors' remuneration:		
- Audit fees	50,000	32,000
- Other services	16,000	10,000
Loss on sale of tangible fixed assets	21,417	554,719
Depreciation and other amounts written off tangible and intangible fixed assets:		
- Goodwill	2,514,890	2,514,890
- Owned tangible fixed assets	4,422,388	4,619,029
- Tangible fixed assets held under hire purchase contracts and finance leases	1,620,944	1,743,162
Rentals under operating leases:		
- Hire of plant and machinery	3,163,004	2,940,929
- Other operating leases	5,502,323	5,627,967
Loss on foreign exchange	<u>2,960,595</u>	<u>2,158,881</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2000**

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2000 Number	1999 Number
The average weekly number of employees during the year was made up as follows:		
Office and management	733	766
Operators	1,996	1,932
	<u>2,729</u>	<u>2,698</u>
	£	£
Staff costs during the year amounted to:		
Wages and salaries	54,013,970	47,349,801
Social security costs	4,948,693	4,231,306
Other pension costs	1,366,609	1,252,746
	<u>60,329,272</u>	<u>52,833,853</u>

The directors of the company are also directors of the immediate parent company, UPS (UK) Limited, and their remuneration is borne by that company. The directors consider that it is not possible to allocate the remuneration between group companies.

**6. INTANGIBLE FIXED ASSETS**

	Goodwill £
<b>Cost</b>	
At 1 January 2000 and at 31 December 2000	<u>24,143,925</u>
<b>Amortisation</b>	
At 1 January 2000	18,497,110
Provided during the year	<u>2,514,890</u>
At 31 December 2000	<u>21,012,000</u>
<b>Net book value</b>	
At 31 December 2000	<u>3,131,925</u>
At 31 December 1999	<u>5,646,815</u>

# UPS LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2000

### 7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold premises £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Finance leased equipment and motor vehicles £	Total £
<b>Cost</b>						
At 1 January 2000	10,597,945	2,321,002	15,418,587	17,226,498	14,761,341	60,325,373
Additions	33,002	317,039	2,267,680	3,160,106	-	5,777,827
Disposals	-	(5,640)	(778,325)	(354,230)	-	(1,138,195)
Reclassification	28,230	(33,228)	831	4,167	-	-
At 31 December 2000	10,659,177	2,599,173	16,908,773	20,036,541	14,761,341	64,965,005
<b>Depreciation</b>						
At 1 January 2000	2,766,978	1,043,463	6,414,210	10,676,918	8,737,106	29,638,675
Provided during the year	179,198	210,264	1,801,959	2,230,967	1,620,944	6,043,332
Disposals	-	(5,640)	(739,331)	(258,068)	-	(1,003,039)
Reclassification	-	-	3,625	(3,625)	-	-
At 31 December 2000	2,946,176	1,248,087	7,480,463	12,646,192	10,358,050	34,678,968
<b>Net book value</b>						
At 31 December 2000	7,713,001	1,351,086	9,428,310	7,390,349	4,403,291	30,286,037
At 31 December 1999	7,830,967	1,277,539	9,004,377	6,549,580	6,024,235	30,686,698

Obligations under finance leases and hire purchase contracts are secured by the related leased assets.

Included within freehold land and buildings is land valued at £3,707,269 (1999 - £3,707,269) that is not depreciated.

# UPS LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2000

### 8. INVESTMENTS HELD AS FIXED ASSETS

	Subsidiary undertakings £
<b>Cost</b>	
At 1 January 2000 and 31 December 2000	<u>2,349,356</u>

The subsidiary undertakings of the company at 31 December 1999, which are all incorporated in Great Britain and registered in England and Wales, are:

Name	Class of shares held	Proportion held	Nature of business
Carryfast Holdings Limited	Ordinary	100%	Holding company
Carryfast Limited	Ordinary	*100%	Non-trading (formerly express parcel service)

\* 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.

### 9. STOCKS

	2000 £	1999 £
Consumable stores	<u>357,333</u>	<u>374,429</u>

### 10. DEBTORS

	2000 £	1999 £
Trade debtors	56,995,003	43,487,661
Amounts owed by fellow subsidiary undertakings	33,292,893	24,192,016
Other debtors	294,516	455,399
Prepayments and accrued income	1,360,923	1,617,488
	<u>91,943,335</u>	<u>69,752,564</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2000**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Obligations under hire purchase contracts and finance leases (see note 14)	1,517,505	2,232,382
Trade creditors	6,693,017	7,586,996
Amounts owed to immediate parent and fellow subsidiary undertakings	142,068,822	117,048,206
Other creditors including taxation and social security	6,659,497	3,457,983
Accruals and deferred income	8,317,188	6,260,511
	<u>165,256,029</u>	<u>136,586,078</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2000 £	1999 £
Obligations under hire purchase contracts and finance leases (see note 14)	<u>1,132,881</u>	<u>1,891,173</u>

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation

The amounts provided in the accounts for deferred taxation and the amounts not provided are as follows:

	Provided (assets)/liabilities		Not provided (assets)/liabilities	
	2000 £	1999 £	2000 £	1999 £
Capital allowances in excess of depreciation	-	-	665,400	375,279
Brought forward tax losses	-	-	(10,718,370)	(9,796,799)
Other timing differences	-	-	(1,492,800)	(720,857)
	<u>-</u>	<u>-</u>	<u>(11,545,770)</u>	<u>(10,142,377)</u>

# UPS LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2000

### 14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	2000 £	1999 £
Within one year	1,627,451	2,034,604
Between two and five years inclusive	1,229,846	2,440,246
Over five years	-	44,746
	<u>2,857,297</u>	<u>4,519,596</u>
<b>Deduct</b>		
Finance charges allocated to future periods	(206,911)	(396,042)
	<u>2,650,386</u>	<u>4,123,554</u>
<b>Shown as</b>		
Current obligations	1,517,505	2,232,382
Non current obligations	1,132,881	1,891,173
	<u>2,650,386</u>	<u>4,123,555</u>

### 15. CALLED UP SHARE CAPITAL

	2000 £	1999 £
<b>Authorised:</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid:</b>		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

### 16. SHARE PREMIUM ACCOUNT

	£
At 1 January 2000 and 31 December 2000	<u>28,124,606</u>

### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS DEFICIT

	2000 £	1999 £
Loss for the financial year	(4,771,359)	(10,677,495)
<b>Net addition to shareholders' deficit</b>	<u>(4,771,359)</u>	<u>(10,677,495)</u>
Opening shareholders' deficit	(27,836,501)	(17,159,006)
<b>Closing shareholders' deficit</b>	<u>(32,607,860)</u>	<u>(27,836,501)</u>



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2000**

**18. PENSION SCHEMES**

UPS (UK) Limited and its subsidiaries operate a group defined benefit pension scheme. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are made at rates recommended by professional independent actuaries to meet obligations arising from both past and current service using the projected unit credit method.

The latest actuarial assessment of the scheme was as at 1 April 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7% per annum, that salary increases would average 4.5% per annum and that present and future pensions would increase at the rate of 3% per annum.

At the date of the last actuarial valuation the market value of the assets of the scheme was £32,679,000 which was sufficient to cover 105% of the benefits that had accrued to members allowing for expected future increases in earnings.

There is currently no difference between amounts funded and accumulated pension costs charged in the profit and loss account.

**19. CONTINGENT LIABILITIES**

The company has entered into a Composite Accounting Agreement with its bankers whereby the bank has a full right of set-off of bank balances and interest between the company and three other group companies. At the year end there was a contingent liability as a result of this agreement of £4,359,962 (1999 - £nil).

**20. OPERATING LEASE COMMITMENTS**

	<b>Land and buildings 2000 £</b>	<b>Land and Buildings 1999 £</b>	<b>Other 2000 £</b>	<b>Other 1999 £</b>
<b>Leases which expire</b>				
Within one year	29,375	477,769	86,309	207,543
Within two to five years	1,270,936	1,097,100	1,322,790	757,126
After five years	2,697,871	2,143,819	202,461	90,747
	<u>3,998,182</u>	<u>3,718,688</u>	<u>1,611,560</u>	<u>1,055,416</u>

**21. ULTIMATE PARENT COMPANY**

The company is a subsidiary of UPS (UK) 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.

Copies of the financial statements for UPS (UK) 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 granted by paragraph 3(c) of FRS8, Related Party Disclosures, not to disclose transactions with group entities or investees of the group qualifying as related parties.

## **UPS LIMITED**

### **NOTES TO THE ACCOUNTS** **Year ended 31 December 2000**

#### **22. FINANCIAL SUPPORT**

United Parcel Service, Inc. has agreed to make sufficient finance available to the company to enable it to meet its obligations as they fall due.