

UPS LIMITED

Report and Financial Statements

31 December 1992

**Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1992

CONTENTS

Page

Directors' report

1

Auditors' report

3

Profit and loss account

4

Balance sheet

5

Notes to the accounts

6

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 December 1992.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company are those of forwarding 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.

In the past, operating hubs owned by Atlasair Limited (a sister company) and used for air freight, were also used by the company in its parcel business with appropriate recharges made by Atlasair Limited to reflect the use of those assets. By 1992 most of the hubs were in fact being used predominantly for parcel deliveries. In view of this and to simplify the recharge arrangements, the decision was taken to transfer all the hubs not dedicated to air freight to the company on 1 June 1992. From that date the company has invoiced Atlasair Limited for the use of hubs where appropriate.

FUTURE PROSPECTS AND POST BALANCE SHEET EVENT

The company intends to expand its operations domestically. As described in note 21 to the accounts the business and assets of fellow group companies Carryfast Limited and Haulfast Limited (acquired by the group in 1992) were transferred to the company effective from 1 January 1993.

RESULTS AND DIVIDENDS

The profit for the year after taxation transferred to reserves amounted to £2,637,362 (1991 loss transferred from reserves - £2,323,269). The directors do not recommend the payment of a dividend (1991 - £nil).

United Parcel Service of America 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:

L.L. Long
P.K. Quantrell
J. Smith

L.L. Long resigned on 18 March 1993. J.R. Lockhart was appointed on the same date.

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.

FIXED ASSETS

Changes in fixed assets are shown in notes 8 and 9 to the accounts.

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.



DIRECTORS' REPORT

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.

AUDITORS

Touche Ross & Co. 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

Secretary

19 October 1993

**Touche
Ross**



Chartered Accountants

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UPS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants and
Registered Auditor

19 October 1993

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Bath, Belfast, Birmingham, Boumemouth, Brecknell, Bristol, Cambridge, Cardiff,
Coleraine, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London,
Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham and Southampton.

Principal place of business at which a list of partners' names is available:
Peterborough Court, 133 Fleet Street, London EC4A 2TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on
investment business

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1992

	Note	1992 £	1991 £
TURNOVER	2	63,994,515	46,566,993
Cost of sales		<u>(32,641,471)</u>	<u>(28,933,718)</u>
Gross profit		31,353,044	17,633,275
Administrative expenses		(29,644,914)	(18,670,134)
Other operating income		<u>1,038,971</u>	<u>-</u>
OPERATING PROFIT/(LOSS)		2,747,101	(1,036,859)
Interest receivable and similar income		7,521	36,297
Interest payable and similar charges	4	<u>(4,714)</u>	<u>(1,322,707)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,749,908	(2,323,269)
Tax on profit/(loss) on ordinary activities	7	<u>(112,546)</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		2,637,362	(2,323,269)
Retained loss brought forward		<u>(10,292,431)</u>	<u>(7,969,162)</u>
Retained loss carried forward		<u>(7,655,069)</u>	<u>(10,292,431)</u>



BALANCE SHEET
31 December 1992

	Note	1992 £	1991 £
FIXED ASSETS			
Intangible assets	8	3,052,634	3,459,651
Tangible assets	9	7,360,337	7,562,378
Investments	10	72,000	72,000
		<u>10,484,971</u>	<u>11,094,029</u>
CURRENT ASSETS			
Stocks	11	206,807	67,833
Debtors	12	33,921,161	19,107,591
Cash at bank and in hand		2,389,705	866,834
		<u>36,517,673</u>	<u>20,042,258</u>
CREDITORS: amounts falling due within one year	13	<u>(54,650,418)</u>	<u>(41,397,426)</u>
NET CURRENT LIABILITIES		<u>(18,132,745)</u>	<u>(21,355,168)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,647,774)</u>	<u>(10,261,139)</u>
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases	14	<u>(6,295)</u>	<u>(30,292)</u>
		<u>(7,654,069)</u>	<u>(10,291,431)</u>
CAPITAL AND RESERVES			
Called up share capital	15	1,000	1,000
Profit and loss account		<u>(7,655,069)</u>	<u>(10,292,431)</u>
		<u>(7,654,069)</u>	<u>(10,291,431)</u>

These financial statements were approved by the Board of Directors on 19 October 1993.

Signed on behalf of the Board of Directors

Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1992

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 and cash flow statement

Neither group accounts nor a cash flow statement have been prepared as the company is itself a wholly owned subsidiary of another company incorporated in Great Britain.

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 life.

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

Freehold buildings	50 years
Furniture and equipment	3 to 9 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 permanent diminution 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 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 substantial level percentage of current and expected future pensionable payroll.

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 profit and loss account in equal amounts over the periods of the leases.



NOTES TO THE ACCOUNTS
Year ended 31 December 1992

2. TURNOVER

Turnover represents the value of services provided to customers of UPS Limited for forwarding of international parcels 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 profits were wholly attributable to the provision of services within the United Kingdom as forwarders and customs clearance agents.

3. OTHER OPERATING INCOME

Other operating income represents exchange gains and losses arising from the retranslation of monetary assets and liabilities denominated in foreign currencies.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1992 £	1991 £
Group loans	840	1,311,335
Finance lease charges	3,874	3,400
Bank loans, overdrafts and other loans repayable within five years	-	7,972
	<u>4,714</u>	<u>1,322,707</u>

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1992 £	1991 £
The profit/(loss) on ordinary activities before taxation was arrived at after charging:		
Auditors' remuneration	62,000	70,000
Depreciation and other amounts written off tangible and intangible fixed assets:		
Goodwill	407,017	397,877
Owned tangible fixed assets	1,283,575	911,505
Tangible fixed assets held under finance leases	14,284	8,044
Hire of plant	<u>1,004,865</u>	<u>634,982</u>

Cost of sales includes pick up and delivery charges from fellow group company Atlasair Limited.

NOTES TO THE ACCOUNTS
Year ended 31 December 1992

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1992 Number	1991 Number
The average weekly number of employees during the year was made up as follows:		
Office and management	670	564
Operators	466	393
	<u>1,136</u>	<u>957</u>
	£	£
Staff costs during the year amounted to:		
Wages and salaries	18,373,385	12,480,084
Social security costs	1,598,392	1,141,579
Other pension costs	592,988	472,856
	<u>20,564,765</u>	<u>14,094,519</u>

The directors of the company are also directors of the immediate parent company UPS (UK) Limited and their remuneration is borne by and disclosed in the financial statements of UPS (UK) Limited.

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1992 £	1991 £
Group relief	8,533	-
Adjustment in respect of prior years	104,013	-
	<u>112,546</u>	<u>-</u>

The taxation charge is disproportionate to the profit for the year because of the effect of brought forward tax losses. Tax losses are available to be carried forward and set off against future profits arising from the same trade.



NOTES TO THE ACCOUNTS
Year ended 31 December 1992

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 January 1992 and 31 December 1992	<u>4,070,178</u>
Amortisation	
At 1 January 1992	610,527
Provided during the year	<u>407,017</u>
At 31 December 1992	<u>1,017,544</u>
Net book value	
At 31 December 1992	<u>3,052,634</u>
At 31 December 1991	<u>3,459,651</u>

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Furniture, equipment and motor vehicles £	Finance leased equipment £	Total £
Cost				
At 1 January 1992	5,158,518	3,945,491	71,418	9,175,427
Additions	156,703	587,224	-	743,927
Transfers from fellow subsidiary undertakings	20,203	1,501,614	16,798	1,538,615
Disposals	<u>(139,980)</u>	<u>(59,231)</u>	<u>-</u>	<u>(199,211)</u>
At 31 December 1992	<u>5,195,444</u>	<u>5,975,098</u>	<u>88,216</u>	<u>11,258,758</u>
Depreciation				
At 1 January 1992	290,114	1,314,891	8,044	1,613,049
Provided during the year	197,638	1,085,937	14,284	1,297,859
Transfers from fellow subsidiary undertakings	17,242	993,767	16,798	1,027,807
Disposals	<u>-</u>	<u>(40,294)</u>	<u>-</u>	<u>(40,294)</u>
At 31 December 1992	<u>504,994</u>	<u>3,354,301</u>	<u>39,126</u>	<u>3,898,421</u>
Net book value				
At 31 December 1992	<u>4,690,450</u>	<u>2,620,797</u>	<u>49,090</u>	<u>7,360,337</u>
At 31 December 1991	<u>4,868,404</u>	<u>2,630,600</u>	<u>63,374</u>	<u>7,562,378</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1992

10. INVESTMENTS HELD AS FIXED ASSETS

**Group
undertakings
£**

Cost

At 1 January 1992 and 31 December 1992

72,000

At 1 January 1992 the company held 100% of the shares in Seabourne Belgium N.V., a company incorporated in Belgium. Seabourne Belgium N.V. was merged with United Parcel Service Belgium N.V., a fellow subsidiary company of UPS Limited which is also incorporated in Belgium, on 1 January 1992. The company now holds 3.3% of the shares in the merged company, United Parcel Service Belgium N.V.

11. STOCKS

	1992	1991
	£	£
Consumable stores	<u>206,807</u>	<u>67,833</u>

12. DEBTORS

	1992	1991
	£	£
Trade debtors	9,029,409	7,534,173
Amounts owed by fellow subsidiary undertakings	23,729,185	10,522,019
Corporation tax recoverable	-	118,467
Other debtors	415,002	603,784
Prepayments and accrued income	<u>747,565</u>	<u>329,148</u>
	<u>33,921,161</u>	<u>19,107,591</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1992	1991
	£	£
Bank loans and overdrafts (note 17)	262,026	88,894
Obligations under finance leases	23,997	24,286
Trade creditors	5,598,925	4,009,885
Amounts owed to immediate parent and fellow subsidiary undertakings	45,260,886	34,286,520
Other taxation and social security	818,542	382,252
Accruals and deferred income	<u>2,686,042</u>	<u>2,605,589</u>
	<u>54,650,418</u>	<u>41,397,426</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1992

14. OBLIGATIONS UNDER FINANCE LEASES

	1992	1991
	£	£
Within one year	26,986	28,446
Between two and five years inclusive	7,554	34,540
	<u>34,540</u>	<u>62,986</u>
Deduct		
Finance charges allocated to future periods	4,248	8,408
	<u>30,292</u>	<u>54,578</u>
Shown as		
Current obligations	23,997	24,286
Non current obligations	6,295	30,292
	<u>30,292</u>	<u>54,578</u>

15. CALLED UP SHARE CAPITAL

	1992	1991
	£	£
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16. 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 1992. 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 9% per annum, that salary increases would average 7% 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 sufficient to cover 117% 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.

17. 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 £1,370,390 (1991 - £183,937).

NOTES TO THE ACCOUNTS
Year ended 31 December 1992

18. OPERATING LEASE COMMITMENTS

	Land and buildings £	Other £
Leases which expire		
Within one year	-	384,564
Within two to five years	407,888	449,209
After five years	1,085,624	-
	<u>1,493,512</u>	<u>833,773</u>

19. 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 is United Parcel Service of America 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 CF4 3UZ. Copies of the financial statements for United Parcel Service of America Inc. are available from UPS House, Forest Road, Feltham, Middlesex TW13 7DY.

20. FINANCIAL SUPPORT

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

21. POST BALANCE SHEET EVENT

The company has entered into certain agreements as part of a group re-organisation, the effect of which were:

- (i) UPS (UK) Limited transferred its entire holdings of shares in Carryfast Holdings Limited, Draftmaster Limited, Earlyforce Limited, Scripform Limited and Touchstore Limited to the company in consideration for the issue of 1,000 £1 ordinary shares;
- (ii) Draftmaster Limited, Earlyforce Limited, Scripform Limited and Touchstore Limited each transferred their holdings in Carryfast Holdings Limited to the company for a consideration of £5,320,499 each;
- (iii) Carryfast Limited and Haulfast Limited, subsidiaries of Carryfast Holdings Limited, transferred all their business and assets to the company for a consideration of £15,211,945 and £2,273,049 respectively.

The transfer of business and assets from Carryfast Limited and Haulfast Limited was effective from 1 January 1993.