

**UPS LIMITED**

**Report and Financial Statements**

**31 December 1994**

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



**REPORT AND FINANCIAL STATEMENTS 1994**

<b>CONTENTS</b>	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>

## **DIRECTORS' REPORT**

The directors submit their report and financial statements for the year ended 31 December 1994.

### **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 profit for the year before taxation was £3,816,396 (1993 - £2,417,693). The profit for the year after taxation transferred to reserves amounted to £966,396 (1993 - £2,391,100). The directors do not recommend the payment of a dividend (1993 - £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 during the year:

J Smith  
J R Lockhart (resigned 10 February 1994)  
F H Barnes Jr.  
R E Goetz (appointed 7 March 1994)

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, 9 and 10 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.

### **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.

## **DIRECTORS' REPORT**

### **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

11 September 1995

## **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;
- 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.



## Chartered Accountants

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

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 8517  
LDE: DX 599

## UPS LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. 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 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 1994 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 Auditors

13 September 1995

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1994**

	Note	1994 £	1993 £
<b>TURNOVER - continuing operations</b>	2	152,557,427	123,974,992
Cost of sales		<u>(109,503,596)</u>	<u>(84,225,168)</u>
Gross profit		43,053,831	39,749,824
Administrative expenses		(39,233,033)	(35,626,679)
Other operating income/(expense)		<u>316,513</u>	<u>(1,355,484)</u>
<b>OPERATING PROFIT - continuing operations</b>		4,137,311	2,767,661
Interest receivable and similar income		6,633	16,487
Interest payable and similar charges	4	<u>(327,548)</u>	<u>(366,455)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	3,816,396	2,417,693
Tax on profit on ordinary activities	7	<u>(2,850,000)</u>	<u>(26,593)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		966,396	2,391,100
Retained loss brought forward		<u>(5,263,969)</u>	<u>(7,655,069)</u>
Retained loss carried forward		<u><u>(4,297,573)</u></u>	<u><u>(5,263,969)</u></u>

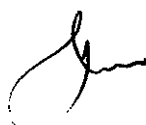
There are no recognised gains or losses in the year or the preceding year other than those disclosed in the profit and loss account.

**BALANCE SHEET**  
**31 December 1994**

	Note	1994 £	1993 £
<b>FIXED ASSETS</b>			
Intangible assets	8	20,491,763	23,305,777
Tangible assets	9	26,524,552	19,497,820
Investments	10	2,422,156	2,422,156
		<u>49,438,471</u>	<u>45,225,753</u>
<b>CURRENT ASSETS</b>			
Stocks	11	455,823	416,273
Debtors	12	58,888,513	98,336,533
Cash at bank and in hand		2,918,691	3,249,169
		<u>62,263,027</u>	<u>102,001,975</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(79,967,649)</u>	<u>(123,541,129)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(17,704,622)</u>	<u>(21,539,154)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		31,733,849	23,686,599
<b>CREDITORS: amounts falling due after more than one year</b>	14	(7,904,816)	(359,020)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	-	(464,942)
		<u>23,829,033</u>	<u>22,862,637</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,000	2,000
Share premium account	18	28,124,606	28,124,606
Profit and loss account		<u>(4,297,573)</u>	<u>(5,263,969)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>23,829,033</u>	<u>22,862,637</u>

These financial statements were approved by the Board of Directors on 11 September 1995.

Signed on behalf of the Board of Directors



Director



## **NOTES TO THE ACCOUNTS**

### **Year ended 31 December 1994**

#### **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	20 to 40 years
Leasehold premises	over life of lease
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 1994**

**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 profits were wholly attributable to the provision of services within the United Kingdom as forwarders and customs clearance agents.

**3. OTHER OPERATING INCOME/(EXPENSE)**

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

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1994 £	1993 £
Finance lease charges	327,548	366,455
	<u>327,548</u>	<u>366,455</u>

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1994 £	1993 £
The profit on ordinary activities before taxation was arrived at after charging:		
Auditors' remuneration		
- Audit fees	60,900	78,400
- Other services	104,900	64,896
Depreciation and other amounts written off tangible and intangible fixed assets:		
- Goodwill	2,814,014	2,814,014
- Owned tangible fixed assets	3,048,660	2,538,817
- Tangible fixed assets held under hire purchase contracts and finance leases	546,855	791,418
- Provision for permanent diminution in value	366,000	-
Rentals under operating leases		
- Hire of plant and machinery	6,789,288	5,615,301
- Other operating leases	<u>2,463,206</u>	<u>2,742,578</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>1994 Number</b>	<b>1993 Number</b>
The average weekly number of employees during the year was made up as follows:		
Office and management	914	1,065
Operators	1,786	1,545
	<u>2,700</u>	<u>2,610</u>
	<b>£</b>	<b>£</b>
Staff costs during the year amounted to:		
Wages and salaries	42,562,828	37,536,439
Social security costs	3,898,255	3,286,350
Other pension costs	672,050	882,797
	<u>47,133,133</u>	<u>41,705,586</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.

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1994 £</b>	<b>1993 £</b>
Corporation tax charge on profit on ordinary activities at 33% (1993 - 33%)	1,565,000	-
Adjustment in respect of prior years	-	26,593
Group relief	<u>1,285,000</u>	<u>-</u>
	<u>2,850,000</u>	<u>26,593</u>

The tax charge is disproportionate to the profit on ordinary activities due to the effect of goodwill amortisation charged in the year which is not deductible for tax purposes. The tax charge in the previous year was disproportionate due to the effect of brought forward tax losses.

**8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 1994 and 31 December 1994	<u>27,137,335</u>
<b>Amortisation</b>	
At 1 January 1994	3,831,558
Provided during the year	<u>2,814,014</u>
At 31 December 1994	<u>6,645,572</u>
<b>Net book value</b>	
At 31 December 1994	<u>20,491,763</u>
At 31 December 1993	<u>23,305,777</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**9. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Short leasehold premises £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Financed leased equipment and motor vehicles £	Total £
<b>Cost</b>						
At 1 January 1994	12,243,474	619,759	6,527,215	7,525,126	4,016,909	30,932,483
Additions	16,816	301,033	-	1,344,393	9,450,914	11,113,156
Transfers from group undertakings	-	-	-	4,925	-	4,925
Disposals	-	-	(99,280)	(100,060)	-	(199,340)
Transfers to group undertakings	-	-	-	(165,440)	-	(165,440)
Reclassification	-	-	1,055,799	215,635	(1,271,434)	-
At 31 December 1994	<u>12,260,290</u>	<u>920,792</u>	<u>7,483,734</u>	<u>8,824,579</u>	<u>12,196,389</u>	<u>41,685,784</u>
<b>Depreciation and provision for permanent diminution in value</b>						
At 1 January 1994	961,660	150,466	4,472,187	4,565,501	1,284,849	11,434,663
Provided during the year	299,919	87,536	1,547,235	1,113,970	546,855	3,595,515
Transfers from group undertakings	-	-	-	2,905	-	2,905
Disposals	-	-	(75,316)	(51,486)	-	(126,802)
Transfers to group undertakings	-	-	-	(111,049)	-	(111,049)
Reclassification	-	-	594,291	215,635	(809,926)	-
Provision for permanent diminution in value	<u>366,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,000</u>
At 31 December 1994	<u>1,627,579</u>	<u>238,002</u>	<u>6,538,397</u>	<u>5,735,476</u>	<u>1,021,778</u>	<u>15,161,232</u>
<b>Net book value</b>						
At 31 December 1994	<u>10,632,711</u>	<u>682,790</u>	<u>945,337</u>	<u>3,089,103</u>	<u>11,174,611</u>	<u>26,524,552</u>
At 31 December 1993	<u>11,281,814</u>	<u>469,293</u>	<u>2,055,028</u>	<u>2,959,625</u>	<u>2,732,060</u>	<u>19,497,820</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**10. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Subsidiary undertakings £</b>	<b>Other group undertaking £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 1994 and 31 December 1994	<u>2,350,156</u>	<u>72,000</u>	<u>2,422,156</u>

The subsidiary undertakings of the company at 31 December 1994, which are all incorporated in Great Britain and registered in England and Wales, are:

<b>Name</b>	<b>Class of shares held</b>	<b>Proportion held</b>	<b>Nature of business</b>
Carryfast Holdings Limited	Ordinary	100%	Holding company
Carryfast Limited	Ordinary	*100%	Non-trading (formerly express parcel service)
Haulfast Limited	Ordinary	*100%	Non-trading (formerly road haulage service)
Draftmaster Limited	Ordinary	100%	Non-trading
Earlyforce Limited	Ordinary	100%	Non-trading
Scripform Limited	Ordinary	100%	Non-trading
Touchstore Limited	Ordinary	100%	Non-trading

\* Indirect holdings

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.

The investment in the other group undertaking consists of 3.3% of the shares in United Parcel Service Belgium NV, a company incorporated in Belgium.

**11. STOCKS**

	<b>1994 £</b>	<b>1993 £</b>
Consumable stores	<u>455,823</u>	<u>416,273</u>

**12. DEBTORS:**

	<b>1994 £</b>	<b>1993 £</b>
<b>Due in less than one year</b>		
Trade debtors	24,623,220	19,086,683
Amounts owed by fellow subsidiary undertakings	32,410,504	30,595,038
Amounts owed by subsidiary undertakings	-	47,057,444
Corporation tax recoverable	18,546	18,546
Other debtors	223,656	615,250
Prepayments and accrued income	1,612,587	963,572
	<u>58,888,513</u>	<u>98,336,533</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1994**

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

	1994 £	1993 £
Obligations under hire purchase contracts and finance leases (see note 15)	1,584,334	1,122,186
Trade creditors	6,443,574	6,249,014
Amounts owed to immediate parent and fellow subsidiary undertakings	59,898,211	58,832,055
Amounts owed to subsidiary undertakings	3,355,157	50,411,919
Corporation tax	1,565,000	-
Other taxation and social security	2,854,622	2,380,734
Accruals and deferred income	4,266,751	4,545,221
	<u>79,967,649</u>	<u>123,541,129</u>

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

	1994 £	1993 £
Obligations under hire purchase contracts and finance leases (see note 15)	7,904,816	359,020

**15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES**

	1994 £	1993 £
Within one year	2,221,466	1,315,291
Between two and five years inclusive	7,293,416	413,467
Over five years	1,887,255	-
	<u>11,402,137</u>	<u>1,728,758</u>
<b>Deduct</b>		
Finance charges allocated to future periods	(1,912,987)	(247,552)
	<u>9,489,150</u>	<u>1,481,206</u>
<b>Shown as</b>		
Current obligations	1,584,334	1,122,186
Non current obligations	7,904,816	359,020
	<u>9,489,150</u>	<u>1,481,206</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1994**

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	1994 £	1993 £
<b>Reorganisation provision</b>		
At 1 January 1994	464,942	-
Arising on the acquisition of Carryfast Group	-	1,841,642
Utilised in the year	(464,942)	(1,076,700)
Released as unused	-	(300,000)
	<u>-</u>	<u>-</u>
At 31 December 1994	<u>-</u>	<u>464,942</u>

**17. CALLED UP SHARE CAPITAL**

	1994 £	1993 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted and fully paid</b>		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

**18. SHARE PREMIUM ACCOUNT**

	£
At 1 January 1994 and 31 December 1994	<u>28,124,606</u>

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1994 £	1993 £
Profit for the financial year	966,396	2,391,100
Issue of shares to acquire Carryfast Group	-	28,125,606
<b>Net addition to shareholders' funds</b>	<u>966,396</u>	<u>30,516,706</u>
Opening shareholders' funds	<u>22,862,637</u>	<u>(7,654,069)</u>
<b>Closing shareholders' funds</b>	<u>23,829,033</u>	<u>22,862,637</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 1994

### 20. 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.

### 21. 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 £1,204,119 (1993 - £1,370,390).

### 22. OPERATING LEASE COMMITMENTS

	Land and buildings £	Other £
<b>Leases which expire</b>		
Within one year	-	444,651
Within two to five years	818,303	826,238
After five years	1,654,769	-
	<u>2,473,072</u>	<u>1,270,889</u>

### 23. CAPITAL COMMITMENTS

	1994 £	1993 £
Authorised but not yet contracted for	<u>3,789,000</u>	<u>260,000</u>

### 24. 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.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994****25. 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.