

UPS LIMITED
(REGISTERED NUMBER 01933173)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

TUESDAY



LXMDRU8A

LD3

30/10/2007

259

COMPANIES HOUSE

UPS LIMITED

Report and financial statements 2006

Contents	Page
Officers and Professional advisers	1
Directors' Report	2
Independent Auditors' Report	6
Profit and Loss account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Notes to the Financial Statements	10

UPS LIMITED

Officers and Professional advisers

Directors	J Barber W Flick H M Mensing E Plamp
Company Secretary	E Plamp
Registered office	UPS House Forest Road Feltham Middlesex TW13 7DY
Registered number	01933173
Solicitors	Barlow Lyde & Gilbert Beaufort House 15 St Botolph Street London EC3A 7JL
Bankers	Barclays Bank London Corporate Centre PO Box 46116 London EC4N 8WB
Auditors	Deloitte & Touche LLP Chartered Accountants London

UPS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors submit herewith their annual report and the audited financial statements for the year ended 31 December 2006

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 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

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

REVIEW OF THE BUSINESS

The directors are pleased with the 2006 results which show sustained growth in the core international and domestic services. The Company continues to generate steady revenue growth while improving product margins through a focus on service enhancement and controlling expense.

Turnover from continuing operations during the year ended 31 December 2006 was £419.2 million (2005 £385.8 million) which represents a 9% trading increase.

The operating profit for the year was £9.8 million (2005 £10.7 million). This decrease of 8% was due to one off costs rather than any inherent decline in profitability.

UPS Ltd is continuing to generate underlying growth as it expands the geographical coverage of its service both domestically and internationally.

The company continues in the process of identification, assessment, treatment, monitoring and reporting of risk. This process helps support business objectives by linking into business strategy, identifying and reacting to emerging risks and developing cost effective solutions to risk exposures.

The company's operation of a worldwide parcel service creates an exposure to the volatility in the price or availability of diesel fuel and this can affect the company's performance. To mitigate the impact of this risk UPS uses, purchasing policies, stockholding policies and an index-based surcharge that is adjusted monthly to pass on price increases to its customers.

In addition to the above, the company's principal activities create an exposure to other risk factors that are both external and internal to the company. These risks include but are not limited to failure to comply with legislative and regulatory requirements including environmental and litigation risks, business continuity and the actions of customers and competitors. The company has implemented risk controls and loss mitigation plans, which have been effective to date but cannot give absolute assurance that such procedures will be effective in identifying or controlling each of the operational risks.

RESULTS AND DIVIDENDS

The results for the year are set out on page 9 of the financial statements. The directors have not proposed a dividend (2005 - nil).

UPS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

(CONTINUED)

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 F Caplan	(resigned 26 May 2006)
W Flick	
H M Mensing	
E Plamp	(resigned 26 May 2006) (appointed 8 September 2006)
S C Dennison	(appointed 26 May 2006) (resigned 8 September 2006)
J Barber	(appointed 26 May 2006)

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.

DONATIONS

Charitable donations of £1,000 were paid in the year (2005 - £5,000)

No political donations were made in the year (2005 - £nil)

UPS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

GOING CONCERN BASIS

After making appropriate enquiries the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

PAYMENT OF CREDITORS

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. 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 creditworthy 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 related company for continued financial support and the directors are satisfied that the financial support will be available when required.

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 2006 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law 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, 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 UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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

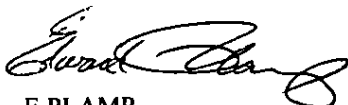
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 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 & Touche 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



E PLAMP
Company Secretary
29 October 2007

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 2006 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. 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 Annual Report and 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

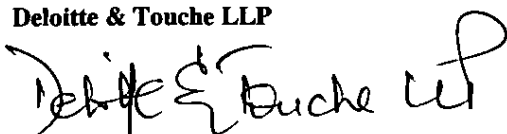
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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 & Touche LLP



Chartered Accountants and Registered Auditors
London

30 October 2007

UPS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Notes</u>	2006 £'000	2005 £'000
Turnover	2	419,164	385,819
Cost of sales		(358,863)	(327,139)
Gross profit		60,301	58,680
Administrative expenses		(51,538)	(48,741)
Other operating income		990	800
Operating profit	3	9,753	10,739
Interest receivable and similar income	4	1,208	1,035
Interest payable and similar charges	5	(1,966)	(2,521)
Pension finance costs	19	(378)	(809)
Profit on ordinary activities before taxation		8,617	8,444
Tax on profit on ordinary activities	6	(2,158)	(3,170)
Profit on ordinary activities after taxation		6,459	5,274
Retained profit for the year	18	6,459	5,274

The notes on pages 10 to 24 form part of these financial statements

UPS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
Profit for the year transferred to reserves		6,459	5,274
Actuarial gain / (loss) relating to the Pension Scheme	19	4,353	(4,035)
UK deferred tax attributable to the actuarial gain / (loss)	14	(1,306)	1,210
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		9,506	2,449
Prior year adjustment for FRS 17		-	(17,940)
		<hr/>	<hr/>
Total recognised gains and losses since last annual accounts and financial statements		<u>9,506</u>	<u>(15,491)</u>

UPS LIMITED

BALANCE SHEET - 31 DECEMBER 2006

	Notes	2006		Restated* 2005	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		65,171		42,611
Investments	9		2,349		2,349
			<u>67,520</u>		<u>44,960</u>
CURRENT ASSETS					
Stocks	10		190		264
Debtors falling due within one year	11		94,576		91,207
Debtors falling due after one year	11		2,013		320
Cash at bank and in hand			3,034		11,374
			<u>99,813</u>		<u>103,165</u>
CREDITORS - amounts falling due within one year	12		(172,997)		(156,186)
NET CURRENT LIABILITIES			<u>(73,184)</u>		<u>(53,021)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(5,664)</u>		<u>(8,061)</u>
PROVISIONS FOR LIABILITIES	13		(2,247)		(1,129)
Pension - defined benefit liabilities			(12,744)		(20,971)
NET LIABILITIES			<u>(20,655)</u>		<u>(30,161)</u>
CAPITAL AND RESERVES					
Called up share capital	15		2		2
Share premium	16		28,125		28,125
Profit and loss account	17		(48,782)		(58,288)
SHAREHOLDERS' DEFICIT	18		<u>(20,655)</u>		<u>(30,161)</u>

The notes on pages 10 to 24 form part of these financial statements

The financial statements were approved by the Board on 29 October 2007 and signed on their behalf by

Please see note 1



E PLAMP
Director

UPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

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. The restatement of the comparative figures in the balance sheet arises following the director's decision that it is more appropriate to show deferred tax asset as a debtor due after one year. Accordingly the comparatives have been restated to show the impact for prior year. This change has no effect on the operating profit for current or prior year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Operations

All Operations in UPS Ltd 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 UPS International Inc which is not established under the law of an EEA State. UPS (UK Holding) Ltd has met all the conditions necessary to be exempt from completing consolidated financial statements. Consequently, the financial statements of UPS International Inc present information about the undertaking itself rather than its group. UPS (UK Holding) 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 2006 (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 that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

UPS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)****2 TURNOVER**

Turnover represents the value of services invoiced to UK 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

	2006 £'000	2005 £'000
Operating profit is stated after charging		
Depreciation		
- Owned tangible fixed assets	5,402	5,140
Gain/(loss) on disposal of fixed assets	175	235
Loss on foreign currency exchange	(6)	38
Auditors' remuneration		
- Audit fees	72	80
- Other services taxation	101	95
Operating lease charges		
- Plant and machinery	2,196	2,240
- Other assets	5,082	4,874

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £'000
Bank interest receivable	1,208	1,035

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Bank loans and overdrafts	1,966	2,521

UPS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £'000	2005 £'000
Current tax:		
UK corporation tax on profit of the year at 30% (2005 30%)	1,763	1,575
UK corporation tax - adjustments in respect of prior years	(132)	-
Total current tax	1,631	1,575
Deferred tax:		
Pension movement	2,220	(89)
Current year movement	(1,742)	1,994
Adjustments in respect of prior years	49	(310)
Total deferred tax	527	1,595
Tax on profit for the year	2,158	3,170

Deferred tax assets/liabilities have not been discounted

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	8,617	8,444
Profit on ordinary activities at the standard UK rate of tax (30%)	2,585	2,533
Capital allowances versus depreciation	(609)	(564)
Short term timing differences	73	(36)
Prior period revisions	(132)	-
Group relief claimed	(923)	(270)
Utilisation of tax losses	-	(1,394)
Items not deductible for tax purposes	637	1,306
	1,631	1,575

Adjustments in respect of previous years arise from the agreement of prior year tax computations

UPS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)****7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

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

	2006 Number	2005 Number
Office and management	1,410	1,460
Operators	2,512	2,176
	<u>3,922</u>	<u>3,636</u>

Staff costs during the year amounted to

	2006 £'000	2005 £'000
Wages and salaries	87,854	78,841
Social security costs	8,602	7,682
Other pension costs	2,896	2,880
	<u>99,352</u>	<u>89,403</u>

	2006 £'000	2005 £'000
The aggregate amount of directors' emoluments excluding pension	<u>579</u>	<u>839</u>

The emoluments of the highest paid director - excluding pension	<u>309</u>	<u>542</u>
---	------------	------------

The accrued pension of the highest paid director - defined benefit	<u>-</u>	<u>2</u>
--	----------	----------

There was no amount paid to either W Caplan or S Dennison for loss of office

UPS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Owned Plant and Machinery £'000	Total £'000
<u>Cost or valuation</u>				
At 1 January 2006	22,462	3,963	70,294	96,719
Additions	19,348	-	9,196	28,544
Disposals	-	(48)	(2,149)	(2,197)
At 31 December 2006	41,810	3,915	77,341	123,066
<u>Depreciation</u>				
At 1 January 2006	3,723	2,887	47,498	54,108
Charge for the year	181	285	4,936	5,402
Impairment charge	-	-	191	191
Disposals	-	(25)	(1,781)	(1,806)
At 31 December 2006	3,904	3,147	50,844	57,895
<u>Net book value</u>				
At 31 December 2006	37,906	768	26,497	65,171
At 31 December 2005	18,739	1,076	22,796	42,611

Included within freehold land and buildings is land at a cost of £15,412,519 (2005: £15,412,519) that is not depreciated. The market value of this Land is £18,281,000

UPS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

9 INVESTMENTS HELD AS FIXED ASSETS

	Subsidiary Undertaking £000
Cost	
At 1 January 2006 and 31 December 2006	2,349

The subsidiary undertakings of the company at 31 December 2006, which are all incorporated in Great Britain and registered in England and Wales, are

	Class of Share Held	Proportion Held	Nature of Business
Carryfast Holdings Limited	Ordinary	100%	Holding 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

	2006 £'000	2005 £'000
Consumable stores	190	264

11 DEBTORS

	2006 £'000	Restated* 2005 £'000
Amounts falling due within one year:		
Trade debtors	57,762	58,662
Amounts owed by group undertakings	33,657	28,482
Corporation tax recoverable	147	142
Other debtors	1,228	1,917
Prepayments and accrued income	1,782	2,004
	<u>94,576</u>	<u>91,207</u>
Amounts falling due after one year		
Deferred tax	2,013	320
	<u>2,013</u>	<u>320</u>

* Please see note 1

UPS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)**

12 CREDITORS (amounts falling due within one year)

	2006 £'000	2005 £'000
Trade creditors	10,664	6,685
Amounts owed to group undertakings	143,146	130,169
Other creditors	58	-
Other taxation and social security	6,182	8,285
Accruals and deferred income	12,947	11,047
	<u>172,997</u>	<u>156,186</u>

13 PROVISIONS FOR LIABILITIES

	<u>Onerous Lease</u> £'000	<u>Dilapidations</u> £'000	<u>Total</u> £'000
At 1 January 2006	-	(1,129)	(1,129)
Charge to profit and loss account	(744)	(374)	(1,118)
At 31 December 2006	<u>(744)</u>	<u>(1,503)</u>	<u>(2,247)</u>

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.

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

14 DEFERRED TAXATION

The deferred tax asset has been fully recognised as shown below and is included with "debtors - note 11"

	Provided (assets)/liabilities	
	2006	Restated*
	£'000	2005 £'000
Capital allowances in excess of depreciation	1,658	1,058
Other timing differences	(3,671)	(1,378)
Deferred tax	<u>(2,013)</u>	<u>(320)</u>
Deferred Tax on Pensions	<u>(5,461)</u>	<u>(8,987)</u>
Total Deferred Tax	<u><u>(7,474)</u></u>	<u><u>(9,307)</u></u>
		Deferred tax asset
		£'000
At 1 January 2006		(9,307)
Charge to profit and loss account (Note 6)		527
Movement in Statement of Total Recognised Gains and Losses		1,306
At 31 December 2006		<u><u>(7,474)</u></u>

*Please see note 1

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

15 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised:		
100,000 Ordinary Shares of £1 each	100	100
	<hr/>	<hr/>
Called up, allotted and fully paid:		
2,000 Ordinary Shares of £1 each	2	2
	<hr/>	<hr/>

16 SHARE PREMIUM ACCOUNT

	£'000
At 1 January 2006 and 31 December 2006	28,125
	<hr/>

17 RESERVES

	Profit and loss account £'000
Deficit - 1 January 2006	(58,288)
Profit for the year	6,459
Actuarial gain relating to the pension scheme	4,353
UK deferred tax attributable to the actuarial gain	(1,306)
	<hr/>
Deficit as at 31 December 2006	(48,782)
	<hr/>

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2006 £'000	2005 £'000
Opening shareholders' deficit	(30,161)	(32,610)
Profit for the financial year	6,459	5,274
Actuarial gain /(loss) relating to the pension scheme	4,353	(4,035)
UK deferred tax attributable to the actuarial loss	(1,306)	1,210
	<hr/>	<hr/>
Closing shareholders' deficit	(20,655)	(30,161)
	<hr/>	<hr/>

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

19 PENSION COSTS

UPS Limited operates a funded group defined benefit pension scheme. The assets of the scheme are held in a separate trustee administered fund.

<u>Scheme</u>	<u>UPS</u>
Date of last full actuarial valuation	5 April 2006
Actuarial method	projected unit
Main assumptions	
Excess of investment returns over	
- general salary increases	3.75%
- annual increases in pensions	2.75%
Results	
Market value of assets (defined benefit assets)	£50.7 million
Funding level (defined benefits)	63%
Due date of next full actuarial valuation	5 April 2009
Contribution rate as a percentage of pensionable earnings	
For 2006	28.6%
For next five years	28.6%

Main actuarial assumptions:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Inflation	3.00%	2.90%	2.90%	3.00%
Rate of increase in salary	4.00%	3.90%	3.90%	4.00%
Rate of increase in pensions in payment	3.00%	2.90%	2.90%	3.00%
Rate of increase for deferred pensions	3.00%	2.90%	2.90%	2.90%
Discount rate	5.15%	4.75%	5.25%	5.75%

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

19 PENSION COSTS (CONTINUED)

Fair value of scheme assets and expected rate of return:

	2006		2005		2004	
	%	£'000	%	£'000	%	£'000
Equities and Property	7.00%	43,326	7.00%	38,610	7.10%	31,531
Bonds	4.45%	5,100	4.10%	4,057	4.57%	2,734
Corporate Bonds	5.15%	5,099	4.75%	4,066	5.23%	2,728
Cash	5.25%	7,259	4.50%	782		-
Total value of scheme assets		60,784		47,515		36,993
Present value of scheme liabilities		(78,989)		(77,473)		(62,621)
Deficit in Scheme		(18,205)		(29,958)		(25,628)
Related deferred tax		5,461		8,987		7,688
Net pension deficit		(12,744)		(20,971)		(17,940)

	2006	2005
	£'000	£'000
Amounts included within operating profit:		
Current service cost	1,808	1,972

	2006	2005
	£'000	£'000
Amounts included as other finance costs:		
Expected return on pension scheme assets	3,388	2,572
Interest on pension scheme liabilities	(3,766)	(3,381)
	(378)	(809)

	2006	2005
	£'000	£'000
Amounts included in the statement of recognised gains and losses:		
Difference between actual and expected return on scheme assets	833	5,962
Experience arising on scheme liabilities	(850)	329
Effects of changes in assumptions in present value of scheme liabilities	4,370	(10,326)
	4,353	(4,035)

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

19 PENSION COSTS (CONTINUED)

Analysis of movement in scheme deficit:	2006	2005
	£'000	£'000
At 1 January 2005	(29,958)	(25,628)
Current service cost	(1,808)	(1,972)
Contributions	9,586	2,486
Net finance charge	(378)	(809)
Actuarial gain / (loss)	4,353	(4,035)
At 31 December 2006	<u>(18,205)</u>	<u>(29,958)</u>

5 year history of experience gains and losses:

	2006	2005	2004	2003	2002
Difference between actual and expected return on scheme assets					
gain / (loss) amount (£000)	833	5,962	1,229	2,234	(7,709)
percentage of scheme assets	1.4%	12.5%	3.3%	7.3%	30.7%
Experience gain / (loss) arising on scheme amount (£000)	(850)	329	1,448	(972)	(1,732)
percentage of scheme liabilities	-1.1%	0.4%	2.3%	1.8%	3.4%
Changes in the assumptions underlying the amount (£000)	4,370	(10,326)	(4,906)	2,498	(11,810)
percentage of scheme liabilities	5.5%	13.3%	7.8%	4.6%	23.3%
Total amounts included in consolidated gain / (loss) amount (£000)	4,353	(4,035)	(2,229)	3,760	(21,251)
percentage of scheme liabilities	5.5%	5.2%	3.6%	6.9%	41.9%

The Defined Benefit section is closed to new entrants. An approximate actuarial valuation of the Defined Benefit section was carried out by a qualified independent actuary as at 31 December 2006. This was based on the results of the formal actuarial valuation of the Plan as at 1 April 2006. The company also operates a defined contribution scheme that is open to new entrants for which the pension cost charge for the year amounted to £1,088,000 (2005: £908,000). 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.

20 FINANCIAL COMMITMENTS

	2006	2005
	£'000	£'000
Capital Commitments		
Authorised but not yet contracted for	<u>31,300</u>	<u>43,676</u>

UPS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006
(CONTINUED)

20 FINANCIAL COMMITMENTS (CONTINUED)

Operating lease commitments

At 31 December 2006 the company and group had commitments during the next financial year in respect of non-cancellable operating leases as follows

	Land & buildings		Other	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Expiring within 1 year	-	5	-	-
Expiring during years 2 to 5	880	2,413	1,980	1,030
Expiring thereafter	884	1,811	2,653	1,015
	<u>1,764</u>	<u>4,229</u>	<u>4,633</u>	<u>2,045</u>

21 CONTINGENT LIABILITIES

UPS Limited, the company, 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

At the year end, the company has in issue 2 Bonds and Guarantees in favour of HM Customs & Excise for £20,000,000 and £510,000 respectively (2005 £20,000,000 and £510,000)

22 DISCLOSURE OF AUDITORS REMUNERATION

The Companies (Disclosure of Auditor Remuneration) Regulations 2005 require companies (other than small and medium-sized companies) incorporated in Great Britain (under the Companies Act 1985 or its predecessor Acts) to report, in their financial statements for financial years beginning on or after 1 October 2005, details of the services that they and their subsidiaries have purchased during the financial year from their auditors and any "associates" of their auditors. The services purchased by UPS Ltd and the supplier are as follows

	2006	2005
	£'000	£'000
Auditing	72	80
Taxation	84	78
Pension	17	17
	<u>173</u>	<u>175</u>

UPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006 (CONTINUED)

23 ULTIMATE PARENT UNDERTAKING

The company is a direct subsidiary of UPS (UK Holding) Limited which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company and controlling party is United Parcel Service, Inc., incorporated in the United States of America. This company also 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 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 Disclosures) which allows the company not to disclose transactions with group entities or investees of the group qualifying as related parties.