

LYNX EXPRESS LIMITED
(REGISTERED NUMBER 03284685)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007

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LYNX EXPRESS LIMITED

Report and financial statements 2007

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LYNX EXPRESS LIMITED

Officers and Professional advisers

Directors

J Barber
W Flick
HM Mensing
C Cubias

Company Secretary

C Cubias

Registered office

Saint David's Way
Bermuda Park
Nuneaton
Warwickshire
CV10 7SD

Solicitors

Barlow Lyde & Gilbert LLP
Beaufort House
15 St Botolph Street
London
EC3A 7NJ

Bankers

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

Auditors

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

LYNX EXPRESS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007

The directors submit herewith their annual report and audited financial statements for the year ended 31st December 2007

PRINCIPAL ACTIVITIES

The principal activity of the company is the transportation of parcels, including the provision of tailored logistics solutions

BUSINESS REVIEW

The turnover for the year was £145.2m (2006 - £194.5m). The decrease is mainly attributable to the change in the length of the period under review from 15 months in 2006 to 12 months in 2007. The negative operating margin for the year 18.5% (2006 - 10.2%) results from the competitive pressures in the market and the migration of the international segment to UPS.

Competitive pressures in the market are a continuing risk to all those operating in the industry. The company manages the risk by providing and implementing innovative UPS services which adds greater value to those services.

The Net Liabilities position was £31.5m (2006 - £16.1m). The movement was attributable to the increase in amounts owed to group subsidiaries.

The Lynx International portfolio migrated to UPS contract terms, thus eliminating conflicting agreements for non UK services through Lynx Euro Express and UPS Global Distribution Alliance. Lynx revenue streams have therefore been reduced to reflect purely domestic activity consistent with the period to 31st December 2006.

Operationally, this year represented the second phase of a three year plan to fully integrate and produce a unified network within the UPS Group of which Lynx Express Limited is a subsidiary. Building on this integration and unified network the directors remain confident that UPS's business will continue to develop and deliver strong returns. It is the company's intention to cease trading under the brand name of Lynx Express and during the forthcoming months all activities be novated to UPS Limited.

RESULTS AND DIVIDENDS

The results for the period are set out on page 7 of the financial statements and show an operating loss of £28,900,000 (2006 - £19,787,000) on turnover of £145,209,000 (2006 - £194,548,000). The directors have not proposed a dividend (2006 - £0).

DIRECTORS

Directors who have served throughout the period and to the date of this report unless otherwise indicated are as follows:

W Flick

H M Mensing

J Barber

E Plamp (resigned 21 January 2008)

C Cubias (appointed 31 January 2008)

None of the directors in office at the date of this report had a beneficial interest in any contract or arrangement of significance to which the company was a party during the period.

LYNX EXPRESS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007 (CONTINUED)

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment

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 loss.

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 to their fair values due to the relatively short-term maturing of these financial instruments.

CHARITABLE AND POLITICAL CONTRIBUTIONS

No charitable or political donations were made during the year.

SIGNIFICANT MATTERS RELATING TO THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis other than going concern

As a result of the intended ceasing of trade of the company, the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate:

- writing down the Company's assets to net realisable value,
- reclassifying long term assets and liabilities to short term where required, and
- making provision for any onerous contractual commitments at the balance sheet date.

The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such costs were committed at the balance sheet date.

LYNX EXPRESS LIMITED

**DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007
(CONTINUED)**

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEES' 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

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself 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 and signed on its behalf by



C Cubias
Company Secretary
27th October 2008

UPS House
Forest Road, Feltham, Middlesex, TW13 7DY

LYNX EXPRESS LIMITED

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 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 that 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.

LYNX EXPRESS LIMITED

Independent auditors' report to the members of Lynx Express Limited

We have audited the financial statements of Lynx Express Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Historical cost profits 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read the Directors' Report and 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 2007 and of its loss 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.

Emphasis of matter - financial statements prepared on a basis other than that of a going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements which states that the financial statements have been prepared on a basis other than that of a going concern as the company intends to cease trading subsequent to the year end.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, UK

30th October 2008

LYNX EXPRESS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

		Before Exceptional Items 2007	Exceptional Items 2007 12 months	Total 2007	Before Exceptional Items 2006	Exceptional Items 2006 15 months	Total 2006
	<u>Notes</u>	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER	2	145,209	-	145,209	194,548	-	194,548
Operating charges	3	(171,453)	(2,656)	(174,109)	(214,185)	(150)	(214,335)
OPERATING LOSS		(26,244)	(2,656)	(28,900)	(19,637)	(150)	(19,787)
Profit on disposal of Fixed assets		-	-	-	-	6,319	6,319
Profit on disposal of Investments		-	-	-	-	681	681
LOSS BEFORE INTEREST AND TAX		(26,244)	(2,656)	(28,900)	(19,637)	6,850	(12,787)
Interest receivable	5	577	-	577	630	-	630
Interest payable	6	(3,999)	-	(3,999)	(2,177)	-	(2,177)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(29,666)	(2,656)	(32,322)	(21,184)	6,850	(14,334)
Tax on loss on ordinary activities	7			6,560			3,746
LOSS FOR THE PERIOD				(25,762)			(10,588)

All results derive from continuing activities

The Notes on pages 10 to 23 form part of these financial statements

LYNX EXPRESS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £'000 12 mths	2006 £'000 15 mths
Deficit for the period transferred to reserves	(25,762)	(10,588)
Actuarial gain relating to the Pension Scheme (note 20)	9,500	2,000
UK deferred tax charge attributable to the actuarial gain	(1,079)	(2,700)
Property revaluation	1,894	-
Other	-	7
	<hr/>	<hr/>
Total recognised losses relating to the period	(15,447)	(11,281)

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	2007 £'000 12 mths	2006 £'000 15 mths
Loss on ordinary activities before taxation	(32,322)	(14,334)
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	(239)	(168)
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(32,561)	(14,502)
	<hr/>	<hr/>
Historical cost loss for the period retained after taxation	(26,001)	(10,756)
	<hr/>	<hr/>

LYNX EXPRESS LIMITED

BALANCE SHEET - 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> £'000	<u>2007</u> £'000	<u>2006</u> £'000	<u>2006</u> £'000
FIXED ASSETS					
Tangible assets	9		25,465		24,665
Investments	10		10,135		10,053
			<u>35,600</u>		<u>34,718</u>
CURRENT ASSETS					
Stocks	11	480		650	
Debtors falling due within one year	12	35,924		35,035	
Cash at bank and in hand		1,726		1,371	
		<u>38,130</u>		<u>37,056</u>	
CREDITORS - amounts falling due within one year	13	(107,008)		(25,281)	
NET CURRENT (LIABILITIES) / ASSETS			(68,878)		11,775
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(33,278)</u>		<u>46,493</u>
CREDITORS - amounts falling due after one year	14		(1,004)		(55,553)
NET LIABILITIES EXCLUDING PENSION SURPLUS/(LIABILITY)			<u>(34,282)</u>		<u>(9,060)</u>
Pension - defined benefit surplus/(liabilities)	20		2,775		(7,000)
NET LIABILITIES INCLUDING PENSION SURPLUS/(LIABILITY)			<u>(31,507)</u>		<u>(16,060)</u>
CAPITAL AND RESERVES					
Called up share capital	16		582		582
Capital redemption reserve			25		25
Share premium	18		1,493		1,493
Revaluation reserve	18		4,985		2,852
Other reserves	17		1,928		1,928
Profit and loss account	18		(40,520)		(22,940)
SHAREHOLDERS' DEFICIT	19		<u>(31,507)</u>		<u>(16,060)</u>

The notes on pages 10 to 23 form part of these financial statements

The financial statements were approved by the Board on 27th October 2008 and signed on their behalf by



C Cubias
DIRECTOR

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

SIGNIFICANT MATTERS RELATING TO THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1

Basis other than going concern

As a result of the intended ceasing of trade of the company, the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate

- writing down the Company's assets to net realisable value,
- reclassifying long term assets and liabilities to short term where required and
- making provision for any onerous contractual commitments at the balance sheet date

The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such costs were committed at the balance sheet date

ACCOUNTING POLICIES

2

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 consistently in the current and preceding period

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

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 Holdings) Limited. UPS (UK Holdings) Limited is in turn a subsidiary of UPS Inc who produce consolidated Financial statements which includes Lynx Express Limited. The company is also, on this basis, exempt from the requirement of FRS 1 (revised) to present a cash flow statement

Tangible fixed assets

Revaluation of properties

Individual freehold and leasehold properties are revalued every three years with the surplus or deficit on book value being transferred to the revaluation reserve

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

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

Freehold buildings	20 to 40 years
Short leasehold premises	Over the life of the lease
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 less any provision for impairment

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

Intangible assets - goodwill

Goodwill arising on acquisitions in the year ended 30 September 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

(CONTINUED)

2 ACCOUNTING POLICIES (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 the 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 and 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 group, 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 triannually and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Assets held under finance leases and the related obligations are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Operating lease rentals are charged to the 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 substantively 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.

Turnover

Turnover represents the value of services invoiced to customers and other group companies for forwarding of parcels and freight both domestically and internationally together with amounts invoiced to group undertakings for services rendered on their behalf. It is stated net of value added tax and duty.

All turnover is derived from the UK.

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.

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

3 OPERATING CHARGES	12 months		15 months	
	2007		2006	
	£'000		£'000	
Raw Materials, consumables and other purchases	23,387		17,023	
Staff Costs				
Wages and salaries (including exceptional items of redundancy) (2007 - £1,154,283) (2006 -£150,000)	52,214		61,908	
Social security costs	4,477		5,296	
Other pension costs	3,387		4,665	
Depreciation of own tangible fixed assets	2,755		4,078	
Depreciation on assets held under finance leases	178		138	
Exceptional items - Impairment of Plant and Equipment	1,501		-	
<u>Other Operating charges</u>				
Operating lease rentals (including short term hire)				
Revenue earning vehicles	4,943		6,025	
Plant and machinery	1,452		1,437	
Land and buildings	4,820		5,988	
Auditors' remuneration				
Fees payable to the Companies auditors for audit of the companies accounts	63		99	
Tax services	24		50	
Other	74,908	86,210	107,628	121,227
Total operating charges	<u>174,109</u>		<u>214,335</u>	

LYNX EXPRESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)**

4 EXCEPTIONAL ITEMS REPORTED AFTER OPERATING LOSS

The effects of the exceptional items reported after operating loss on the amounts charged to the profit and loss account for taxation were

	2007 £'000 12 mths	2006 £'000 15 mths
Profit on sale of tangible fixed assets of continuing operations	-	6,319
Profit on sale of Investments	-	681
Decrease in charge to profit and loss account	<u>-</u>	<u>7,000</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000 12 mths	2006 £'000 15 mths
Bank interest receivable	177	330
Net income from Pension Scheme	400	300
	<u>577</u>	<u>630</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000 12 mths	2006 £'000 15 mths
Amounts owed to group undertakings	3,643	1,734
Interest payable under finance lease arrangements	85	123
Other interest payable	16	-
Interest due on preference share dividends	255	320
	<u>3,999</u>	<u>2,177</u>

LYNX EXPRESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)**

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
Current tax		
UK corporation tax	-	-
Group relief	(6,317)	(5,236)
Adjustment in respect of prior years	(243)	-
	<u>(6,560)</u>	<u>(5,236)</u>
Deferred tax		
Origination and reversal of timing differences	-	1,101
Adjustments in respect of prior years	-	149
Movement in respect of pensions	-	240
	<u>-</u>	<u>1,490</u>
Total deferred tax	-	1,490
	<u>(6,560)</u>	<u>(3,746)</u>

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

Factors affecting tax charge for the year

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

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation	(32,322)	(14,334)
Loss on ordinary activities at the standard UK rate of tax (30%)	(9,697)	(4,300)
Capital allowances versus depreciation	688	(233)
Impairment Loss	450	-
Short term timing differences	(142)	60
Group relief surrendered	648	1,485
Capital gain on disposal of Muswell Hill	-	2,047
Rollover relief claimed on sale of Muswell Hill	-	(2,047)
Profit on sale of Properties	-	(2,100)
Tax losses not utilised	2,026	499
Pension deduction	(390)	(240)
Items not deductible for tax purposes	2	(407)
Imputed interest adjustment	98	-
Adjustment in respect of prior years	(243)	-
	<u>(6,560)</u>	<u>(5,236)</u>

Deferred tax assets/liabilities have not been discounted

As a result of the budget announced by the Chancellor of the Exchequer on 21 March 2007 and substantively enacted on 26th June 2007, the rate of corporation tax for companies in the United Kingdom has reduced from 30% to 28% from 1st April 2008. Consequently the company's closing deferred tax assets and liabilities have been restated at 28% at the period end to reflect the rate at which it is expected these assets and liabilities will be recovered in the future

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors who served during this and the preceding period were paid by another group company. It is not possible to split their time for the work spent on Lynx Express Limited.

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

	31 December 2007 Number	31 December 2006 Number
<u>Full Time</u>		
Management and supervisory	732	895
Clerical and wage grade	1,669	1,893
	<u>2,401</u>	<u>2,788</u>

9 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Long Leasehold Land and Buildings £'000	Owned Plant and Machinery £'000	Total £'000
<u>Cost or valuation</u>				
At 31 December 2006	11,773	3,656	28,430	43,859
Additions	267	81	3,069	3,417
Revaluation	1,662	232	-	1,894
Disposals	(61)	-	(78)	(139)
At 31 December 2007	<u>13,641</u>	<u>3,969</u>	<u>31,421</u>	<u>49,031</u>
<u>Depreciation</u>				
At 31 December 2006	503	1,552	17,139	19,194
Charge for the year	8	378	2,547	2,933
Disposals	(40)	-	(54)	(94)
Impairment losses	-	-	1,533	1,533
At 31 December 2007	<u>471</u>	<u>1,930</u>	<u>21,165</u>	<u>23,566</u>
<u>Net book value</u>				
At 31 December 2007	<u>13,170</u>	<u>2,039</u>	<u>10,256</u>	<u>25,465</u>
At 31 December 2006	<u>11,270</u>	<u>2,104</u>	<u>11,291</u>	<u>24,665</u>

Fixed assets under finance lease and hire purchase contracts had a net book value at 31 December 2007 of £1,279,916 (2006: £1,457,976).

LYNX EXPRESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)**

9 TANGIBLE FIXED ASSETS (CONTINUED)

Analysis of land and buildings at cost or valuation

	2007 £'000	2006 £'000
At cost	3,460	3,173
At valuation	14,150	12,256
Total	<u>17,610</u>	<u>15,429</u>

Freehold and long leasehold land and buildings

If the revalued assets were stated on the historic cost basis the amounts would be

	2007 £'000	2006 £'000
At cost	10,543	10,543
Aggregate depreciation	(3,233)	(2,782)
Net book value based on historic cost	<u>7,310</u>	<u>7,761</u>

- a) The company's freehold properties and their long leasehold properties were revalued at March 2008 on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by DTZ Debenham Tie Leung, a firm of independent Chartered Surveyors.

These valuations have been incorporated into the financial statements as they represent no significant differences from the value of the assets at 31 December 2007, and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations resulted in a revaluation surplus of £1,894,000.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

- b) Company freehold land at a revaluation of £8,217,587 (2006 - £7,272,000) has not been depreciated.
- c) At 31 December 2007 the majority of the company's revenue earning vehicles were held under operating leases. The operating lease rentals are charged to the profit and loss account on a straight-line basis over the terms of the leases. Operating lease commitments in respect of revenue earning vehicles are disclosed in note 21 of these financial statements.
- d) The impairment relates to Plant and Equipment in the main hub, the value of which the directors believe to be lower than its previous carrying value.

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

10 INVESTMENTS HELD AS FIXED ASSETS

	Loans to subsidiary undertaking £000	Shares in subsidiary undertaking £000	Total £000
Cost			
At 31 December 2006	5,900	4,956	10,856
Additions	-	82	82
At 31 December 2007	5,900	5,038	10,938
Provision at 31st December 2006 and 31st December 2007	-	(803)	(803)
Net book value at 31 December 2007	<u>5,900</u>	<u>4,235</u>	<u>10,135</u>
Net book value at 31 December 2006	<u>5,900</u>	<u>4,153</u>	<u>10,053</u>

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

	Class of Share Held	Nature of business	Country of incorporation/country of operation
Lynx Express Management Services Ltd	Ordinary	Service company	England and Wales / UK
Lynx Express Pension Trustees Limited	Ordinary	Dormant	England and Wales
Lynx Euroexpress Limited	Ordinary	Dormant	England and Wales
Red Star Limited	Ordinary	Dormant	England and Wales
Red Star Parcels Limited	Ordinary	Transport company	England and Wales / UK
Lynx Holdings BV	Ordinary	Transport company	Netherlands / Netherlands
Lynx Express BV	Ordinary	Transport company	Netherlands / Netherlands
St David's Way Limited	Ordinary	Property company	England and Wales / UK

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

11 STOCKS

	2007 £'000	2006 £'000
Consumable stores	<u>480</u>	<u>650</u>

There is no difference between the balance sheet value of stock and their replacement cost

LYNX EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)

12 DEBTORS

	2007	2006
	£'000	£'000
Amounts falling due within one year		
Trade debtors	17,869	20,284
Amounts owed by subsidiary undertakings	4,495	3,804
Other debtors	313	590
Prepayments and accrued income	1,451	5,121
Group relief	11,796	5,236
	<hr/>	<hr/>
	35,924	35,035
	<hr/>	<hr/>

13 CREDITORS (amounts falling due within one year)

	2007	2006
	£'000	£'000
Bank loans and overdrafts	5,406	1,085
Trade creditors	6,631	6,631
Amounts owed to subsidiary undertakings	12,213	8,244
Finance leases	205	156
Other creditors	1,692	2,121
Other taxation and social security	3,690	2,318
Accruals and deferred income	4,333	3,613
Dividends payable on non-equity shares	1,362	1,113
Amounts owed to group undertakings	63,348	-
Amounts due to preference share holders	8,128	-
	<hr/>	<hr/>
	107,008	25,281
	<hr/>	<hr/>

14 CREDITORS (amounts falling due after one year)

	2007	2006
	£'000	£'000
Finance leases	1,004	1,209
Amounts owed to group undertakings	-	46,216
Amounts due to preference share holders	-	8,128
	<hr/>	<hr/>
	1,004	55,553
	<hr/>	<hr/>

LYNX EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)

15 DEFERRED TAXATION

The amounts provided for in the financial statements for deferred taxation and the amounts not provided for are as follows

	Provided (assets)/liabilities	
	2007	2006
	£'000	£'000
Capital allowances in excess of depreciation	-	999
Tax losses	-	(636)
Other timing differences	-	(363)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

	Not Provided (assets)/liabilities	
	2007	2006
	£'000	£'000
Capital allowances in excess of depreciation	(78)	999
Tax losses	(3,350)	(1,986)
Other timing differences	(246)	(363)
	<hr/>	<hr/>
	(3,674)	(1,350)
	<hr/>	<hr/>

	<u>Deferred Tax Asset</u>	
	2007	2006
	£'000	£'000
Opening balance	-	(1,250)
Current year movement	-	1,250
Movement through STRGL	-	-
	<hr/>	<hr/>
Closing balance	-	-
	<hr/>	<hr/>

LYNX EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)

16 CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
400,000 Ordinary Shares of £1 each	400	400
1,072,000 A Ordinary shares of 5p each	54	54
128,000 B Ordinary shares of £1 each	128	128
	<u>582</u>	<u>582</u>
Called up, allotted and fully paid		
400,000 Ordinary shares of £1 each	400	400
1,072,000 A Ordinary shares of 5p each	54	54
128,000 B Ordinary shares of £1 each	128	128
	<u>582</u>	<u>582</u>

17 OTHER RESERVES

The other reserve comprises negative goodwill of £1,013,000 on the acquisition of the trade and business of LYNX Express Delivery Network Limited in 1997 and £915,000 relating to a hindsight period adjustment in 1998

18 RESERVES

	Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Revaluation reserve £'000
At 1 January 2007	582	1,493	(22,940)	2,852
Loss for the year	-	-	(25,762)	-
Actuarial Gain relating to the Pension Scheme	-	-	9,500	-
UK deferred tax attributable to the actuarial gain	-	-	(1,079)	-
Property revaluation	-	-	-	1,894
Reserve transfer	-	-	(239)	239
At 31 December 2007	<u>582</u>	<u>1,493</u>	<u>(40,520)</u>	<u>4,985</u>

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

	2007 £'000	2006 £'000
Loss for the financial period	(25,762)	(10,588)
Actuarial Gain relating to the Pension Scheme	9,500	2,000
UK deferred tax attributable to the actuarial gain	(1,079)	(2,700)
Property revaluation	1,894	-
Other	-	7
Net reduction to shareholders' deficit	<u>(15,447)</u>	<u>(11,281)</u>
Opening shareholders' deficit	(16,060)	(4,779)
Closing shareholders' deficit	<u>(31,507)</u>	<u>(16,060)</u>

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 **(CONTINUED)**

20 PENSION COSTS

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

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

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

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

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

During the year ending 31 December 2007, the company paid contributions to the Scheme totalling £4.30m (2006 - £5.02m).

FRS 17

A full actuarial valuation was carried out at 31 January 2005 and updated to 31 December 2007 by a qualified independent actuary. The Projected Unit valuation method has been used.

The major assumptions used by the actuary at 31 December 2007 were (in normal terms):

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Inflation	3.20%	3.00%	2.75%
Rate of increase in salary	4.20%	4.00%	3.75%
Rate of increase in pension in payment	3.05%	3.00%	2.75%
Rate of increase for deferred pension	3.20%	3.00%	2.75%
Discount rate	5.90%	5.15%	5.10%

The assets in the scheme and the expected rates of return were:

	<u>31 December 2007</u>		<u>31 December 2006</u>		<u>30 September 2005</u>	
	Long term expected rate of return	£'000	Long term expected rate of return	Value £'000	Long term expected rate of return	£'000
<u>Fair value</u>						
Equities/Property	8.10%	45,554	7.00%	42,550	8.35%	36,500
Bonds/cash	5.20%	20,500	4.90%	15,580	4.90%	12,000
Total market value of assets		66,054		58,130		48,500
Present value of liabilities		(62,200)		(65,130)		(58,300)
Surplus/(deficit) in the scheme		3,854		(7,000)		(9,800)
Related deferred tax (liability)/asset		(1,079)		-		2,940
Net pension asset/(liability)		2,775		(7,000)		(6,860)

LYNX EXPRESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007
(CONTINUED)**

20 PENSION COSTS (CONTINUED)

Analysis of the amount charged to operating loss

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Current service cost	3,400	4,500
	<u>3,400</u>	<u>4,500</u>

Analysis of the amount credited to net finance charges

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Expected return on pension scheme assets	(3,800)	(4,200)
Interest on pension scheme liabilities	3,400	3,900
	<u>(400)</u>	<u>(300)</u>

Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Actual return less expected return on pension scheme assets	2,400	3,900
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	7,100	(1,900)
	<u>9,500</u>	<u>2,000</u>

Movement in scheme surplus/(deficit) during the period

	<u>2007</u>	<u>2006</u>
	£'000	£'000
At 1 January 2007	(7,000)	(9,800)
Current service cost	(3,400)	(4,500)
Contributions	4,354	5,000
Net finance credit	400	300
Actuarial gain	<u>9,500</u>	<u>2,000</u>
Closing surplus/(deficit) in scheme	<u>3,854</u>	<u>(7,000)</u>

History of experience gains and losses

	<u>Dec 2007</u>	<u>Dec 2006</u>	<u>Sept 2005</u>	<u>Sept 2004</u>	<u>Sept 2003</u>
Differences between actual and expected return on scheme assets					
gain amount (£000)	(2,400)	(3,900)	(5,300)	(1,700)	(2,500)
percentage of scheme assets	3.6%	6.7%	10.9%	4.3%	7.4%
Experience gain/(loss) arising on scheme liabilities					
gain/(loss) amount (£000)	-	-	500	(200)	(200)
percentage of scheme liabilities	0.0%	0.0%	0.9%	0.4%	0.0%
Changes in the assumptions underlying the present value of the scheme liabilities					
loss amount (£000)	(7,100)	1,900	6,000	1,900	1,900
percentage of scheme liabilities	11.4%	2.9%	10.3%	4.0%	4.5%
Total amounts included in consolidated statement of recognised gains and losses					
(gain)/loss amount (£000)	(9,500)	(2,000)	1,200	-	(800)
percentage of scheme liabilities	15.3%	3.1%	2.1%	0.0%	1.1%

LYNX EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

21 FINANCIAL COMMITMENTS

	<u>2007</u> £'000	<u>2006</u> £'000
Capital Commitments		
Authorised but not yet contracted for	-	-
Obligations under finance leases and hire purchase contracts		
Expiring within one year	205	156
Expiring during one and two years	203	204
Expiring during two and five years	691	648
Expiring after five years	110	357
	<u>1,209</u>	<u>1,365</u>

Operating lease commitments

At 31 December 2007 the company and group had commitments during the next financial year in respect of non-cancellable operating leases as follows

	<u>Land & buildings</u>		<u>Other</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Expiring within 1 year	180	170	127	3,073
Expiring between 2 and 5 years	1,163	1,467	2,295	946
Expiring thereafter	2,325	2,201	238	257
	<u>3,668</u>	<u>3,838</u>	<u>2,660</u>	<u>4,276</u>

22 CONTINGENT LIABILITIES

The nature of the company's business and the extent of its operations are such that it is from time to time involved in legal proceedings, as plaintiff or defendant. No such current proceedings are expected to have a material effect on the company.

23 ULTIMATE PARENT UNDERTAKING

The company is a direct subsidiary of UPS (UK Holdings) 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, who prepares consolidated accounts. These accounts represent the smallest and largest group for which consolidated accounts are prepared including the results of this company.

The company has taken advantage of the exemption contained within FRS8 (Related Party Transactions) which allows the company not to disclose transactions with group entities or investees of the group qualifying as related parties.