Marken Time Critical Express Limited

Reports and Financial Statements

for the financial year ended 31 December 2019

Marken Time Critical Express Limited
Company number 04438909

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Marken Time Critical Express Limited
Company number 04438909

Directors and other information

Directors
D Fathallah
A Gravatt
J Mozzali
A Van Strien (appointed 20 January 2020)
W Wheeler (resigned 20 January 2020)

Registered Office
Ground Floor
107 Power Road
Chiswick
London
W4 5PY

Bankers
Bank of America, N.A.
5 Canada Square
London
E14 5AQ

Independent Auditors
Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Earlsfort Terrace
Dublin 2
Ireland

Solicitors
Clyde and Co LLP
Beaufort House
15 St Botolph Street
London
EC3A 7AR

Strategic report

The directors of the company present their strategic report for the year ended 31 December 2019. The directors, in preparing the strategic report have complied with S414C of the Companies Act 2006.

Principal Activities

Marken Time Critical Express Limited is a subsidiary of Maze 1 Limited (trading as 'Marken') which is a wholly owned subsidiary of United Parcel Service, Inc. (UPS). The Marken Group is the only patient-centric supply chain organization 100% dedicated to the pharmaceutical and life sciences industries. Marken maintains the leading position for direct to patient services and biological sample shipments and offers a state-of-the-art GMP-compliant depot network and logistic hubs in 47 locations worldwide for clinical trial material storage and distribution. Marken's more than 1,600 staff members manage 110,000 drug and biological shipments every month at all temperature ranges in more than 150 countries. Additional services such as biological kit production, ancillary material sourcing, storage and distribution, shipment lane verification and qualifications, as well as GDP, regulatory and compliance consultancy add to Marken's unique position in the pharma and logistics industry.

Marken Time Critical Express Limited was set up to support the development of Marken's activities, via branch offices, in Australia and Singapore. These financial statements are for the company and combine the results of both of the branches.

Vision, Strategy and Business Model

Marken's vision is to be partner of choice for the clinical trials industry. We are positioned as the clinical supply chain subsidiary of UPS.

Our strategy is to offer clients dedicated, full scope clinical pharmaceutical services & supply chain solutions, and successful execution of the strategy is underpinned by 5 'Strategic Pillars':

1. Grow – organic growth and acquisitions
2. Lead – in quality and infrastructure, in service and technology
3. Measure – build best in class analytics and reports
4. Nurture – build a best in class team
5. Protect – protect the business we have

Marken's business model relies on a deep and intimate understanding of our customers' requirements and is focused on providing on-time delivery within specification, to exceed customer expectations. Marken continues to emphasis commitment to provide personalised customer service and hands-on operational staff in each of our operating locations.

Business Operational and Financial Performance Review

The results for financial year and state of affairs of the company are set out in the income statement, statement of comprehensive income and balance sheet on pages 11, 12 and 13 respectively.

Strategic Report *(continued)*

Key Performance Indicators

The company principally manages the business using revenue and profitability key performance indicators as set out below and under the business operational and financial performance review section of the strategic report.

	Year Ended	Year Ended	Year-on-year variance
	31-Dec-19	31-Dec-18	(%)
Key performance Indicator	**£'000**	£'000	
Turnover	**45,170**	37,101	21.75%
EBITDA*	**9,623**	7,828	22.93%
EBITDA margin	**21.3%**	21.1%	0.97%
Profit for the year	**6,836**	4,209	62.41%

* EBITDA defined as earnings before interest, tax, depreciation and amortisation.

Commentaries on variances

The increase in revenue is driven by growth in both regions in both key accounts and local new business; with the Australia branch now operating out of all major cities in the country. This growth has achieved slightly higher margin and as a result the EBITDA ratio has observed a slight increase year on year. This growth continues in 2020 and is supported by new business from COVID 19 – please see note 19 for further details.

Principal risks and uncertainties

Strategic, Commercial and Operational Risk Management

As an international clinical logistics organisation, Marken is exposed to strategic, commercial and operational risks, which are monitored and managed by the directors. These include:

- Carrier delays and non-performance of transportation;
- Increasingly restrictive regulations;
- Widespread disruption of technology systems;
- Increasing equipment and operational costs;
- Increased competition; and
- Increases in the cost of licenses, registration fees, insurance costs and transportation costs.

The approach to the management of these risks is through an assessment of the nature of the risks, the potential outcomes, the controls in place to mitigate the risks and their effectiveness. This process is led by the Board and delegated to group management when appropriate.

Directors' statement of compliance with duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires a director of a company to act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In carrying out this duty under s172, the directors of the company have given regard, among other things, to the following:

Decision making process

The directors of the company act in good faith to ensure the continued growth, profitability and suitability of the company. In doing so, they are required to consider the short, medium and long term positive and negative impacts of their decisions. Business strategies and decisions are subject to a rigorous review process involving various levels of employees from numerous departments. Moreover, potential legal and ethical risks which may compromise the performance of the company are monitored and discussed in weekly senior management meetings, regular catch-up meetings and monthly risk and compliance meetings. These are reinforced by an open-door policy whereby employees are encouraged to make their manager aware of any ethical and/or legal risk.

Employees
The company directors recognise that the employees are fundamental to upholding the company's key principles of honesty, quality and integrity, as well as ensuring continued financial success. The company continually communicates with its employees through formal and informal meetings, offline and online communication such as regular regional town halls and communication from senior management via email and message communications . Moreover, the company adopts a "No Retaliation" Policy to ensure employees are comfortable in voicing their views and concerns without fear of reprisal. The company also offers a 24/7 employee helpline, run by external providers, to offer employees an alternative method of voicing their views outside of normal business channels.

The company is dedicated to investing in the growth and development of its employees through a variety of methods including continuous training and regular performance and salary reviews.

Environment and communities
The directors recognise the importance of community engagement and the need to make a positive impact on the environment. In 2016, the UPS group committed to achieving 10 sustainability goals, more details of which can be found in the Corporate Sustainability Report of the group consolidated financial statements. The group is proud to have achieved 4 of these goals one year ahead of schedule.

In support of the above locally, the Melbourne branch purchased an electric caddy as well as installed energy efficient light bulbs; both branches recycles paper and cardboard.

Customers, suppliers, consultants and partners
The company understands that its success is underpinned by a loyal customer base. As enshrined in the company's Code of Conduct, the directors aim to secure and develop customer relationships fairly and on the basis of superior services and products and competitive prices. Directors will continually be appraised of, and involved in, customer developments and decision making.

Any decision to engage with suppliers, consultants and partners is based on a strict criterion such as qualifications, competitive pricing and reputation. The company's Code of Conduct imparts a strict duty of disclosure on each employee to ensure any personal vested interest is disclosed prior to deciding on third party engagement. The company continually monitors its relationships to ensure they conform to internal procedures and the relevant competition law requirements.

Fair treatment of members
Marken Time Critical Express Limited is a wholly owned subsidiary of United Parcel Service, Inc. The directors ensure fairness by complying with its policies, guidelines and applicable legislation.

This strategic report was approved by the board of directors on 21st December 2020 and signed on behalf of the board by:

A. Gravatt

A Gravatt
Director
21st December 2020

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Results and dividends

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit for the financial year	6,836	4,209

The directors do not recommend the payment of a dividend *(2018: Nil)*.

Principal activity, business review and future developments

The principal activity of the company is to provide global patient supply chain solutions exclusively for the pharmaceutical, biotechnology and life sciences industries. The company was set up to support the development of Marken's activities, via branch offices, in Australia and Singapore.

Business review

Please refer to the 'Business Operational and Financial Performance Review' in the Strategic report for details on the performance of the company in 2019.

Future developments

On underlying trends the directors expect the company to continue on strong revenue and EBITDA growth trajectories in 2020, based on a strong opening order book, an increasingly robust pipeline of new opportunities, the financial and network strength of UPS behind Marken and continued modest growth in the outsourced clinical trials market. The growth of the outbound clinical logistics market is expected to continue, as the pipeline of biologically-derived drug candidates flow into late stage development. Marken is ideally placed in the market to help facilitate the global pandemic of COVID 19 and as a result this has and will have a positive impact on the 2020 financials.

Going concern

The directors have prepared the financial statements on a going concern basis. More details can be found in Note 2 to these financial statements.

The financial statements have been prepared on a going concern basis. Marken is reliant on the continued support of its ultimate parent company, UPS, which has confirmed that it is its present intention to provide sufficient funds to enable Marken to continue its normal trading activities and pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of approval of these financial statements.

Directors' report *(continued)*

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D Fathallah
A Gravatt
J Mozzali
A Van Strien (appointed 20 January 2020)
W Wheeler (resigned 20 January 2020)

The directors have no interest in the share capital of the company or any other group undertakings.

Financial risk management

Marken's operations expose it to a variety of financial risks that include the effects of price, credit, liquidity, foreign exchange, interest rate, commodity price and political risks. Due to the size of the company's operations, it is not exposed to a number of these financial risks, with the exception of foreign currency risk arising on its UK sterling denominated balances. The exposure to foreign exchange risk within the company is monitored and managed closely by the Directors.

Political donations

The company made no political donations nor incurred any political expenditure during the financial year.

Overseas branches

The company has two branches that operate outside of the UK. These are located in Australia and Singapore. These financial statements are combined and include the results of both branches.

Brexit

Marken Group is well-positioned to withstand any negative impact of Brexit in respect of labour mobility, regulatory and other government policies, as well as inward investment to the UK and the overall macroeconomic situation, as it is a fully international business with a diverse global customer base.

Auditor

The auditors, Deloitte Ireland LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Disclosure of information to auditors

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

As- Gravatt

A Gravatt
Director
21st December 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the annual report in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN TIME CRITICAL EXPRESS LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Marken Time Critical Express Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN TIME CRITICAL EXPRESS LIMITED

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also;

- Identify and assess the risks of material misstatements of financial statements, whether duet to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company`s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimated and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors` use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to evens or conditions that may cast significant doubt on the company`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor`s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor`s report. However future events or conditions may cause the entity to cease to continue as a going concern.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN TIME CRITICAL EXPRESS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identified during the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Sinéad McHugh
Sinéad McHugh (Senior Statutory Auditor)
For and on behalf of Deloitte Ireland LLP, Statutory Auditor
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

22 December 2020

Marken Time Critical Express Limited
Company number 04438909

Income Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	**45,170**	37,101
Operating expenses	5	**(35,492)**	(29,353)
Operating Profit		**9,678**	7,748
Net Finance costs	7	**(1,304)**	(2,324)
Profit on ordinary activities before taxation		**8,374**	5,424
Income tax charge	8	**(1,538)**	(1,215)
Profit for the financial year		**6,836**	4,209

All results derive from continuing operations.

The notes on pages 15 to 30 form part of these financial statements.

Marken Time Critical Express Limited
Company number 04438909

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	£000	£000
Profit for the financial year	**6,836**	4,209
Net exchange differences on translation of branches	**(482)**	190
Total comprehensive income for the financial year	**6,354**	4,399

The notes on pages 15 to 30 form part of these financial statements.

Marken Time Critical Express Limited
Company number 04438909

Balance sheet

As at 31 December 2019

	Note	**2019** £000	**2018** £000
Non-current assets			
Intangible assets	9	**71,767**	71,767
Property, Plant and Equipment	10	**735**	213
Total non-current assets		**72,502**	71,980
Current assets			
Inventory	11	**152**	178
Debtors	12	**97,275**	88,200
Cash at bank and in hand		**333**	332
Total current assets		**97,760**	88,710
Creditors amounts falling due within one year	13	**(78,359)**	(75,319)
Net current assets		**19,401**	13,391
Creditors: amounts falling due beyond one year	14	**(178)**	-
Net assets		**91,725**	85,371
Capital and reserves			
Ordinary shares	15	-	-
Share premium account		**31,524**	31,524
Profit and loss account		**60,201**	53,847
Total shareholder's funds		**91,725**	85,371

The notes on pages 15 to 30 form part of these financial statements.

The financial statements were approved by the board of directors on 21st December 2020 and were signed on its behalf by:

A. Gravatt

A Gravatt
Director
21st December 2020

Marken Time Critical Express Limited
Company number 04438909

Statement of changes in equity

For the year ended 31 December 2019

	Ordinary Shares	Share premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
Balance as at 1 January 2018	-	**31,524**	**49,448**	**80,972**
Profit for the financial year	-	-	**4,209**	**4,209**
Other comprehensive income for the financial year	-	-	**190**	**190**
Balance as at 31 December 2018	-	**31,524**	**53,847**	**85,371**
Profit for the financial year	-	-	**6,836**	**6,836**
Other comprehensive income for the financial year	-	-	**(482)**	**(482)**
Balance as at 31 December 2019	-	**31,524**	**60,201**	**91,725**

The notes on pages 15 to 30 form part of these financial statements.

Notes to the financial statements

1. General Information

Marken Time Critical Express Limited (the company) is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of United Parcel Service Inc. The group accounts of United Parcel Service Inc are available to the public and can be obtained as set out in note 20.

New and amended IFRS Standards that are effective for the current year

Impact of application of IFRS 16 Leases
In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

1. ***General Information*** *(continued)*

Impact of application of IFRS 16 Leases (Continued)

Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the administrative expenses line item.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). This change has not resulted in the reclassification of any sub-lease agreements as finance leases.

Marken Time Critical Express Limited
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*1. **General Information** (continued)*

Impact of application of IFRS 16 Leases (Continued)

Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 4.63%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 1 April 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Impact on retained earnings as at 1 January 2019

	£'000
Operating lease commitments at 1 January 2019	900
Short-term leases and leases of low-value assets	-
Effect of discounting the above amounts	(86)
Lease liabilities recognised at 1 January 2019	814

The Company has recognised £817k of right-of-use assets and £814k of lease liabilities upon transition to IFRS 16. The difference of £3k was deemed immaterial to adjust opening reserves.

Impact of initial application of other amendments to IFRS Standards and Interpretations

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRS	***Effective for annual periods beginning on or after***
IFRIC 23 Uncertainty over Income Tax Treatments	*1 January 2019*
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	*1 January 2019*
Amendments to IFRS 9: Prepayment Features with Negative Compensation	*1 January 2019*

The following standards are not yet mandatorily effective and have not been early adopted by the company;

- IFRS 17: Insurance Contracts
- Amendments to IFRS 3 - Definition of a Business
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current
- Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards

The company does not believe adoption of the above standards will have a material impact on the financial statements.

Notes to the financial statements *(continued)*

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of preparation

Basis of preparation

The financial statements of Marken Time Critical Express Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using FRS101.

As the Company is a wholly owned subsidiary of United Parcel Services Inc, the company has taken advantage of the disclosure exemptions permitted by FRS 101. The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, second sentence of paragraph 89, and paragraphs 90, 91 and 93 IFRS 16 Leases
- the requirement in paragraph 38 of IAS I 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f)7 16: 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 134 (d) – 34(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 134(d)-134(f) and1 35(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of IFRS 3 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 [FRS 101: 8(b)]

Where relevant, this information is included in the consolidated financial statements of UPS Inc as at 31 December 2019 which are available to the public and can be obtained as set out in note 19.

2.2 Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Marken's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 Going concern

The company has support from the ultimate parent company, UPS Inc, which has confirmed that there is no intention to ask for repayment of amounts due to itself and other Marken companies in the foreseeable future, and for a period no less than 12 months from the date of signing the audit report. The Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements do not reflect any adjustment should the going concern basis not be appropriate.

Notes to the financial statements *(continued)*

2.4 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.5 Revenue

The company has adopted IFRS 15 and has applied the following accounting policy in the preparation of its financial statements.

Revenue from contracts with customers

The company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

The company recognizes revenue at the point in time, which represents invoiced value of services rendered during the year, net of discounts. Revenue is recognized in the financial statements to the extent that it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable, can be measured reliably.

Notes to the financial statements *(continued)*

2.6 Foreign currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company or branch operates ('the functional currency'). The financial statements are presented in 'Pound sterling' (£). Transactions in currencies other than the company's or branch's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Marken entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items are measured at historical cost in a foreign currency and are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Branches
On consolidation of the branches, the assets and liabilities of foreign operations are translated into GBP at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the weighted average exchange rates. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the statement of profit or loss.

Income statements of foreign entities are translated into the company's presentation currency at sales-weighted average exchange rates for the year and their balance sheets are translated at the exchange rates prevailing on 31 December 2018.

2.7 Taxation

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities within 12 months of the reporting date. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences. The carry forward of unused tax credits and unused tax losses is recognised to the extent that it is probable that taxable profit will be available in future years.

Notes to the financial statements *(continued)*

2. *Taxation (continued)*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.8 ***Property, plant and equipment***

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, Marken recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Motor vehicles	25% per annum
• Computer equipment	33.3% per annum
• Plant and Machinery	15% per annum
• Right of use asset	Straight-line over the lease term

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the financial statements *(continued)*

2.9 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right of use asset and a lease liability at the lease commencement date. Right of use assets are included within property plant and equipment, apart from those that meet the definition of investment property.

The right-of-us asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of other property plant and equipment. The right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

2.10 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU)'s fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The company bases its impairment calculation on the company's 5-year Strategic Plan and budgets. A long-term growth rate is calculated and applied to project future cash flows after the 5th year. Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

Assets excluding goodwill

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually as at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Notes to the financial statements *(continued)*

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.12 Provisions

General
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability
The company records provisions for decommissioning costs on depots and other buildings where contractual obligations exist to rectify any modifications made to the premises. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

2.13 Post retirement benefits

The company contributes to a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the income statement represents the contributions payable to the schemes in respect of the accounting year.

2.14 Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All recognised financial assets are measured subsequently in their entirety at amortised cost.

Financial assets subsequently measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company includes in this category cash, trade receivables, amounts owed by group and parent undertakings and other short-term receivables.

Notes to the financial statements *(continued)*

2.14 Financial instruments (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Impairment of financial assets

The company only holds receivables at amortized cost, with no significant financing component and which have maturities of less than 12 months and as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore, the company does not track changes in credit risk, but instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The carrying value of interest receivable, receivables on unsettled trades and other short-term receivables, measured at amortized cost less any expected loss, is an approximation of fair value given their short-term nature.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The company includes in this category trade payables and other short-term payables.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the company exchanges with the existing lender one debt instrument for another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Notes to the financial statements *(continued)*

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical judgements required when preparing the company's financial statements are as follows:

(i) Impairment of assets – Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recovered; or in the case of goodwill, on an annual basis. When a review for impairment is conducted the recoverable amount of an asset or cash-generating unit is determined based on the high of fair value, less costs to sell, and value in use calculations prepared on the basis of management's assumptions and estimates. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value.

(ii) Rebates – The company issues rebates to customers based on the volume of revenue generated over a pre-defined period. Judgments are made where rebate arrangements span the end of a reporting period. Rebates are accrued based upon management judgment as to the extent to which turnover targets will be met for the remainder of any pre-defined rebate period outstanding at the end of the reporting period.

4. Analysis of turnover and operating profit

Turnover relates to the company's principal activity, which the directors consider constitutes a single class of business. Turnover arise wholly in Australia and Singapore.

	2019	2018
	£000	£000
Australia	**11,892**	9,461
Singapore	**33,278**	27,640
Turnover total	**45,170**	37,101

5. Operating expenses

The following amounts have been charged/ (credited) in arriving at the operating profit:

	2019	2018
	£'000	£'000
Raw materials, consumables and other purchases	**21,518**	20,616
Staff costs	**5,440**	3,851
Depreciation - owned assets	**55**	79
Depreciation - right of use assets	**351**	-
Operating lease rentals	**-**	415
Exchange (gain)/ loss	**154**	(648)
Global recharges	**4,078**	3,839
Audit Fees	**101**	-
Other operating charges	**3,795**	1,201
	35,492	29,353

The auditors' remuneration of these financial statements is £38,372. The remaining charge for audit fees is £25,828 for financial year 2018 and £36,800 for branch audit of Singapore.

The directors' remuneration is borne by another Marken undertaking.

Notes to the financial statements *(continued)*

6. Staff numbers and costs

Staff costs were as follows:

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

	2019 Number	2018 Number
Management	4	4
Administration	14	14
Operations	77	63
	95	81

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	5,096	3,491
Social security costs	237	271
Other pension costs	107	89
	5,440	3,851

7. Net finance costs

	2019 £000	2018 £000
Interest payable to Marken group undertakings	1,798	2,490
Interest receivable from UPS	(636)	(166)
Interest payable to UPS	142	-
	1,304	2,324

8. Tax on profit on ordinary activities

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	1,814	1,007
Adjustment in respect of prior years	(276)	208
Tax on profit on ordinary activities	1,538	1,215

Factors affecting the tax charge for the current year
The total tax charge for the year is lower (2018: lower*)* than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00 % *(2018: 19.00%).*

Notes to the financial statements *(continued)*

8. Tax on profit on ordinary activities (continued)

The differences are explained below:

	2019 £000	2018 £000
Total tax reconciliation		
Profit before taxation	**8,374**	5,424
Profit before taxation multiplied by the standard rate in the UK of 19% (2018: 19%)	**1,591**	1,031
Effect:		
Expenses not deductible for tax purposes	**246**	48
Movements in unrecognised fixed asset and other temporary differences	**(64)**	14
Lower rates of overseas tax net of double taxation relief	**41**	(86)
Adjustment in respect of earlier periods	**(276)**	208
Total tax charge for the year	**1,538**	1,215

9. Intangible assets

	Goodwill 2019 £000	Goodwill 2018 £000
Cost and net book value 1 January	71,767	71,767
Cost and net book value 31 December	71,767	71,767

Notes to the financial statements *(continued)*

10. Property, Plant and Equipment

	Motor Vehicles £000	Computer Equipment £000	Plant and Machinery £000	Total £000
Cost or valuation				
At 1 January 2019	92	185	800	1,077
Impact from change in accounting policy	-	-	817	817
Additions	18	34	67	119
Exchange adjustments	(4)	(5)	(22)	(31)
At 31 December 2019	**106**	**214**	**1,662**	**1,982**
Accumulated depreciation				
At 1 January 2019	(92)	(148)	(624)	(864)
Charge for the year	(3)	(25)	(378)	(406)
Exchange adjustments	4	3	16	23
At 31 December 2019	**(91)**	**(170)**	**(986)**	**(1,247)**
Net book value				
At 31 December 2019	**15**	**44**	**676**	**735**
At 31 December 2018	-	37	176	213

Contained within plant & machinery are leasehold right of use assets with a total cost of £817k. During the year depreciation was charged at £351k. The total NBV of the right of use asset at the year end was £466k

11. Inventories

	2019 £000	2018 £000
Durable packaging	**31**	26
Consumable packaging	**121**	152
	152	178

The cost of inventories recognised as an expense and included in operating expenses amounted to £1,960,366 (2018: £649,699).

12. Debtors

	2019 £000	2018 £000
Trade debtors	**2,267**	3,343
Amounts owed by Marken group undertakings	**53,653**	55,728
Other debtors	**181**	44
VAT recoverable	**217**	139
Prepayments and accrued income	**3,177**	597
Amounts due by parent Company	**37,781**	28,349
	97,275	88,200

Amounts owed by Marken undertakings and the parent company are non-interest bearing, unsecured and are receivable on demand.

Notes to the financial statements *(continued)*

13. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**130**	7
Amounts owed to Marken group undertakings	**67,099**	68,950
Corporation tax payable	**1,909**	1,007
Other taxes and social security	**1,021**	103
Accruals and deferred income	**4,009**	1,548
Other payables	**182**	358
Amounts due to Parent Company	**3,719**	3,346
Lease liabilities	**290**	-
	78,359	75,319

In 2015, the Company borrowed a 5-year unsecured loan of SGD$69,000,000 from a fellow subsidiary, Marken South America Limited. The loan is repayable on demand and is subject to an interest rate of 5.5%

The company has an unsecured loan of AU$4,856,649 from Marken Limited, the parent undertaking which is repayable on demand and is subject to an interest rate of 3.96%.

Other amounts owed to Marken undertakings and the parent company are non-interest bearing, unsecured and are repayable on demand.

14. Creditors: amounts falling due beyond one year

	2019 £000	2018 £000
Lease liabilities	**178**	-
	178	-

15. Called up share capital

Authorised and issued and fully paid	2019 £'000	2018 £000
4 (2018: 4) ordinary shares of £1 each	-	-

16. Pension scheme

The company operates or contributes to a number of defined contribution pension schemes. The pension costs charge for the year represents contributions payable to these schemes and amounted to £107,408 (2018: £88,965).

Outstanding contributions at the year-end amounted to £87,415 (2018: £21,145) and are included in creditors falling due within one year (Note 13).

17. Commitments

At 31 December 2019 the Company did not have any contracted future capital expenditure (30 December 2020: £nil).

Notes to the financial statements *(continued)*

18. Related party transactions

The company has availed of the exemptions available in FRS 101 from disclosing transactions entered into between two or more wholly members of a group and also key management personnel compensation disclosures.

There were no other related party transactions.

19. Post balance sheet events

In March 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. The outbreak and rapid spread of the novel coronavirus (COVID-19) began to have an adverse impact on our operations and financial performance, as well as on the operations, financial performance and liquidity of many of our customers. We are unable to predict the full extent to which COVID-19 will continue to adversely impact us.

COVID-19 is having a significant effect on overall economic conditions. Our top priority is to protect our employees and their families, as well as our customers. We are taking all precautionary measures as directed by health authorities and local and national governments. We continue to monitor the outbreak of COVID-19 and other closures, or closures for a longer period of time, which may be required to help ensure the health and safety of our employees and our customers.

The COVID-19 pandemic has resulted in, and is expected to continue to result in, weakened economic conditions, supply chain disruptions, significant economic uncertainty and volatility in the financial markets, both in Australia, Singapore and abroad. However Marken has so far in 2020, been well placed to help our customers deal with these challenges and our position in supporting complex clinical trials and the distribution of temperature controlled drugs and samples has seen revenues increase in many parts of the world .

Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the impacts on our operations are uncertain and difficult to fully predict. As noted in the Going Concern portion of the financial statements for Marken Time Critical Express Limited, the directors have obtained indications that the ultimate parent company will continue to make sufficient financial resources available to the company to enable it to continue its operating activities for the identified period.

The ultimate impact of the COVID-19 pandemic will depend on evolving factors, many of which are not within our control, and to which we may not be able to effectively respond. These risks include, but are not limited to: a significant reduction in revenue due to curtailment of business from our customers; a reduction in our net profitability due to long-term changes in our mix of products and services; other effects from governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel, transportation and workforce pressures). Additional internal risk factors include reductions in operating effectiveness due to employees working remotely; unavailability of key personnel;

These financial statements have been prepared as of, and for the year ended, 31 December 2019, and reflect events subsequent to that date that provide additional evidence of conditions that existed at the end of the reporting period. The effects of COVID-19 on the Company are considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to the financial statements for the year ended 31 December 2019.

20. Ultimate controlling party

The Company's immediate parent undertaking is Marken Time Critical Express GmbH, a Company incorporated in Germany.

The ultimate parent undertaking and the largest group to consolidate these financial statements is United Parcel Service, Inc. a Company incorporated in the United States of America.

Copies of the consolidated financial statements of United Parcel Service, Inc. are available to the public and can be obtained from the Company's website http://www.investors.ups.com.