

Marken Limited

Reports and Financial Statements

for the financial year ended 31 December 2020



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Marken Limited
Company number 01485138

Directors and other information

Directors

Doaa Fathallah
Andrew Gravatt
Ariette Van Strien (appointed 20 January 2020)
Jeffrey David Firestone (appointed 1 September 2021)
Joseph Mozzali (resigned 1 September 2021)

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 2020. The directors, in preparing the strategic report have complied with S414C of the Companies Act 2006.

Principal Activities

Marken Limited (or the 'company') is a wholly owned subsidiary of De Facto 1341 Limited which is ultimately owned by United Parcel Service Inc ('UPS'). Marken Limited was set up to support the development of the group's activities, via branch offices, in Argentina, Belgium, Germany, Hong Kong, India, Italy, South Africa, Japan, London, Mexico, Netherlands, New York, Republic of Ireland, Singapore and Sweden. The financial statements include the reported results of all branches.

The Marken group (or 'the group') is the only patient-centric supply chain organization 100% dedicated to the pharmaceutical and life sciences industries. The group maintains the leading position for direct to patient and home health care services, biological sample shipments and offers a state-of-the-art GMP (Good Manufacturing Practice)-compliant depot network and logistic hubs in 58 locations worldwide for clinical trial material storage and distribution. The group's more than 1,691 staff manage 110,000 drug and biological shipments every month at all temperature ranges in more than 220 countries. Additional services such as biological kit production, ancillary material sourcing, storage and distribution, shipment lane verification and qualifications, as well as GDP (Good Distribution Practices), regulatory and compliance consultancy add to Marken's unique position in the pharma and logistics industry.

Vision, Strategy and Business Model

Marken's vision is to be the 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. The group continues to emphasise 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 profit and loss, statement of comprehensive income and balance sheet on pages 14, 15 and 16 respectively.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic. Marken was ideally placed in the market to help facilitate the global response to vaccination due to the COVID 19 pandemic and as a result this has had a positive impact on the 2020 financials.

Revenues have increased by £36.6m or 49%, as result of the above and from new contracts won with existing and new customers in the EMEA region.

Furthermore, during the year, two GDP-compliant logistics branches were added in Amsterdam (Netherlands) and Dublin (Ireland). These newest additions to Marken's global network add increased capacity and enables Marken to continue to offer superior supply chain services to its clients, their investigator sites and patients.

The company continuously aims to grow its footprint in the Direct to / from Patient market and remain committed in investing in the capabilities needed to grow company and the increase its share of outbound business.

Operational challenges and creating efficiencies have been concerns that Management have actively tackled in the current year.

Adjusted EBIT has increased by £5.9m or 148%, mainly due to the general movement in foreign exchange gains/losses.

Strategic report (continued)

Key Performance Indicators

Marken Limited 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 this report.

Key performance Indicator	Year Ended 31-Dec-20 £000	Year Ended 31-Dec-19 £000	Year-on-year variance (%)
Revenue	111,347	74,755	49
Adjusted EBIT*	9,810	3,948	148
EBIT**	4,922	3,948	25
Adjusted EBIT margin	8.8%	5.3%	67
Profit /(loss) for the financial year	1,017	(8,269)	112

**Adjusted EBIT defined as earnings before interest expense, tax and income and expenses considered to be exceptional in nature.

** EBIT defined as earnings before interest expense and tax.

Future Environment and Market Threats

Please refer to the directors' report on page 7.

Principal risks and uncertainties

Strategic, commercial and operational risk management

As an international clinical logistics organisation, the group 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;
- Increases in the cost of licenses, registration fees, insurance costs and transportation costs;
- Uncertainty of Brexit; and
- Impact of COVID-19 on the economy.

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.

Financial risk management

The company'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. The directors have not delegated the responsibility for financial risk management to a sub-committee of the board. The policies set by the board are implemented by the group's finance function.

Liquidity Risk

The company is funded via a fixed term loan and by cash generated from operations. As part of the acquisition on 21 December 2016, UPS settled the external debt held by the group and in its place established an intercompany loan for the same value. The company adopts and maintains minimum cash balances in all locations, with use of cash pooling structures where appropriate. Surplus cash generated and not required for working capital will be swept to the ultimate parent company, UPS.

Strategic report *(continued)*

Price Risk

Selling price risk is managed by a Pricing Committee, which includes 'C' suite officers of the company and meets on a regular basis, setting pricing policies and profit margin thresholds for all new business opportunities. Supplier price risk is also managed by an Executive Committee and any significant exposure is reviewed periodically and, where appropriate, fixed by modified purchasing agreements, or a change of suppliers.

The company has no exposure to equity securities price risk, as it holds no listed or other equity investments.

Foreign Exchange Risk

The company is subject to foreign exchange rate risk in those countries in which it generates revenue or incurs costs and undertakes regular monitoring of the foreign exchange exposure. The major trading operations are profitable and generate surplus local currency and therefore are not reliant on the company for funding on a regular or significant basis. The primary foreign exchange risk in the year relates to the financing intercompany loans with other group companies, which are denominated in currencies other than the functional currency and, to a lesser extent, the alignment of trading revenues and costs. The company is also required to fund in local currency some of the new start-up operations. The net foreign exchange exposure of the company is currently unhedged but is reviewed by the board on a regular basis.

Credit Risk

The company is exposed to customer credit risk. The company operates a credit policy that requires a credit evaluation of appropriate customers as part of the new customer on boarding process, with an appropriate credit recommendation being included as part of the credit terms offered to the client. In addition, the company operates a proactive dunning process with regular receivables management reporting.

Interest Rate Risk

The macro-economic environment is continually monitored and, in the event that future market rates appear likely to exceed the floor and would have an adverse impact on the group's interest costs, the purchase of appropriate financial instruments will be considered by the board.

Commodity Price Risk

The company has an indirect exposure to the price of oil, due to the requirement for shipments using airlines as a service provider. This risk is primarily mitigated via the contractual ability to pass on any fuel surcharges to customers. Should the contractual position change and the company be unable to pass on fuel surcharges, the purchase of appropriate financial instruments would be considered.

Political risk

The diverse locations of our operations around the world expose us to a wide range of political developments and consequent changes to the economic and operating environment. Geopolitical risk is inherent to many regions in which we operate, and heightened political or social tensions or changes in key relationships could adversely affect the group. We seek to manage this risk through development and maintenance of relationships with stakeholders and by becoming trusted partners in each country and region. In addition, we closely monitor events and implement risk mitigation plans where appropriate.

The impact of the UK's exit from the EU:

We have been assessing the potential impact of Brexit and the UK's future global relationships and have considered different outcomes but do not believe any of these outcomes pose a significant risk to our business. The board continues to monitor these developments.

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.

Strategic report (continued)

Decision making process (continued)

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

It is the directors desire for the company to maintain a reputation for high standards of business conduct and the need to make a positive impact on the environment. Energy efficiency actions taken during the year include ensuring that:

- All cardboard outer packaging is flat packed and recycled;
- All TT loggers are recycled;
- All used paper is shredded and recycled;
- The company is committed to using the most up to date and fuel-efficient commercial vehicles
- Where possible we aim to use durable packaging over single use;
- Where possible our people are working from home to avoid unnecessary travel (and as a result of the impact of Covid-19).

GHG emissions and energy data

	Year ended 31 December 2020
ENERGY CONSUMPTION TO CALCULATE EMISSIONS	
Gas combustion Kilowatt Hours ('kWh')	124,436
Purchased electricity kWh	494,183
Transport fuel* kWh	400,516
Total energy consumption kWh	1,019,135
EMISSIONS	
Gas combustion tonnes CO ₂ equivalent ('tCO ₂ e') (Scope 1)	23
Purchased electricity tCO ₂ e (Scope 2, location-based)	105
Business travel in employee-owned vehicles where the company is responsible for purchasing the fuel* tCO ₂ e (Scope 3)	99
Total gross emissions tonnes CO₂e	227
INTENSITY RATIO	
tCO ₂ e per full-time equivalent	0.63

The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in WRI / WBCSD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004. 'UK Government Conversion Factors for Company Reporting (Year: 2021, Expiry: 01/06/2022, Version 1.0) - DBEIS / DEFRA' used for emission factors.

Strategic report *(continued)*

GHG emissions and energy data (continued)

For some locations, primary energy consumption source data was not always available due to delays in receiving billing data. Estimates have been made, based on energy consumption data for that same site in other months or calculated using a 'kWh per employee' metric for comparable offices.

* Represents fuel used cars on business use for which employees are reimbursed based on mileage.

Customers, suppliers, consultants and partners

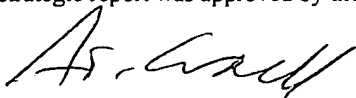
The company understands that its success is underpinned by a loyal customer base as a significant percentage of its revenue is generated from recurring customer contracts. As enshrined in the company's Code of Conduct, the directors aim to secure and develop customer relationships fairly and on the basis 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 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 4th November 2021 and signed on behalf of the board by:



Andrew Gravatt
Director
4th November 2021

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 December 2020.

Results and dividends

	Year Ended 31 December 2020 £000	Year Ended 31 December 2019 £000
Profit /(loss) before tax for the year	<u>3,905</u>	<u>(6,713)</u>

No dividend was paid in the year (2019: £99,409k) was paid to De facto 1341 Limited.

Principal activity, business review and future developments

The company is a wholly owned subsidiary of De Facto 1341 Limited, whose principal activity is providing global supply chain solutions exclusively to the pharmaceutical, biotechnology and life sciences industries. The company is ultimately owned by United Parcel Services Inc., incorporated in the United States of America. The company has a regional organisation structure and operates throughout Europe, the Middle East & Africa, the Americas and Asia Pacific, through a network of branch operations. Marken Limited was set up to support the development of Marken's activities, via branch offices, in Argentina, Belgium, Germany, Hong Kong, India, Italy, South Africa, Japan, London, Mexico, Netherlands, New York, Republic of Ireland, Singapore and Sweden. The financial statements include the reported results of all branches. Argentina has declared hyperinflation, which impacts the reported results of the Marken Ltd branch office in that country. This has resulted in a credit to comprehensive income of £35k (2019: £17k debit).

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 2020.

Future developments

The group positions itself in two separate sub-markets within the clinical development market. The 'inbound' market is defined as those materials, including blood and tissue samples, which are sourced at clinical investigator sites and, in the case of the emerging direct-to-patient market, directly from a single patient-specific location, and delivered to central laboratories. The 'Outbound' market is defined as all materials which are required to conduct a clinical study, such as drug product and supplies, and are delivered to an investigator site, or a single patient-specific location.

Competition remains intense, primarily in the inbound market, and is a threat to future growth; however, our core strategies (the 5 'Strategic Pillars') are creating a company culture and further enhancing our business model, to allow the flexibility to compete at many different levels, with continued investment and innovation. Furthermore, as we integrate further with the wider UPS group we are increasingly taking advantage of their infrastructure, leveraging their buying power and utilising their network. Where possible, the group utilises these capabilities, but only where they align with the Marken group's strategy, performance expectations and client's needs.

The outlook for 2021 remains positive. Though, the COVID-19 pandemic has resulted in, and is expected to continue to result in, supply chain disruptions, significant economic uncertainty and volatility in the financial markets - including the Latin America, Asia Pacific and EMEA regions. Marken has been well placed to help our customers deal with these challenges. Our market positioning supporting complex clinical trials and the distribution of temperature-controlled drugs and samples has seen revenues increase in many parts of the world where we have a trading footprint.

Please refer to the strategic report for details of the financial risk management for the company.

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 Company's business activities, together with other global factors are likely to affect its future performance. A reasonable estimation of these factors have been taken into the Company's forecasts and projections which show that the Company will continue to grow.

Directors' report *(continued)*

Consistent with previous years, a letter of support has been obtained from United Parcel Service Inc, the parent company, confirming that it will provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least the period of twenty months after the date of signing the financial statements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in the annual report and accounts.

Directors

The directors of the company who held office throughout the year and as at the date of signing the financial statements except as noted, are given below:

Doaa Fathallah
Andrew Gravatt
Ariette Van Strien (appointed 20 January 2020)
Jeffrey David Firestone (appointed 1 September 2021)
Joseph Mozzali (resigned 1 September 2021)

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

Employee consultation

The company operates a framework for employee information sharing and consultation. During the year, the company continued to expand the content on the Marken intranet that provides employees with information about the group and resources to expand their learning, as well as acting as a portal to share their views and insights into the group's operations. Regular meetings are held between local management and employees to allow a free flow of information and ideas. These views are shared with the wider group as part of the group's executive committee meetings.

Employees are also encouraged to express their views during the annual employee engagement survey.

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Charitable and Political Contributions

The company has made no charitable donations nor incurred any political donations or expenditure during the year.

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.

Directors' liabilities

The company has made qualifying third-party indemnity provision for the benefit of its directors' which were made during the year and remain in force at the date of this report.

Directors' report *(continued)*

Disclosure of information to the auditors

In the case of each of the persons who are directors at the time the directors' report and financial statements are 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.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, 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.

Events after the balance sheet date

There are no significant post balance sheet events.

This directors' report was approved by the board of directors on 4th November 2021 and signed on behalf of the board by:



Andrew Gravatt
Director

4th November 2021

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Marken Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22, including a summary of significant accounting policies as set out in note 2.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be materially misstated.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN LIMITED

Other information (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due 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 omissions, misrepresentations, or the override of internal control. We include an explanation in our report of the extent to which the audit was capable of detecting irregularities, including fraud.
- 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 estimates and related disclosures made by the 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 events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, we report these conclusions in our report.
- If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included local in-country legislation applicable to the company's branches, employment law, environmental regulations, the data protection act and regulations of the good manufacturing practices & the good distribution practices.

We discussed among the audit engagement team including relevant internal specialists such as tax regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

Revenue Recognition

- We assessed the design and determined the implementation of the key controls over the cut-off process for revenue recognition; and
- We selected a sample of revenue entries pre year end and post year end and compared these to relevant documentation to assess appropriate cut-off.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKEN LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 strategic report and 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

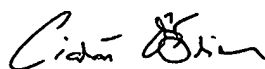
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Ciarán O'Brien FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Dublin, Ireland

05 November 2021

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	4	111,347	74,755
Operating expenses	5	(106,633)	(73,427)
Operating profit (before exceptional items)		4,714	1,328
<i>Exceptional items</i>	6	(4,888)	-
Operating (loss) /profit (after exceptional items)		(174)	1,328
Finance income	8	7,985	2,620
Finance costs	8	(3,906)	(10,661)
Net finance income /(costs)		4,079	(8,041)
Profit /(loss) on ordinary activities before taxation		3,905	(6,713)
Income tax charge	9	(2,888)	(1,556)
Profit /(loss) for the financial year		1,017	(8,269)

All results arise from continuing operations.

The notes on pages 19 to 38 form part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2020

	2020	2019
	£000	£000
Profit /(loss) for the financial year	1,017	(8,269)
Exchange differences on translation of branches	3,204	7,202
IAS 29 Hyper-inflation adjustment	(35)	17
Total comprehensive profit /(loss) for the year	4,186	(1,050)

The notes on pages 19 to 38 form part of these financial statements.

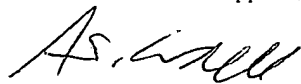
Balance sheet

At 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Financial assets	11	87,472	87,472
Intangible assets	12	3,089	1,794
Property, plant and equipment	13	4,349	4,596
Total non-current assets		94,910	93,862
Current assets			
Stocks	14	638	668
Debtors	15	123,180	106,915
Cash at bank and in hand	16	3,910	2,584
Total current assets		127,728	110,167
Creditors: amounts falling due within one year	17	(136,489)	(121,582)
Net current liabilities		(8,761)	(11,415)
Creditors: amounts falling due beyond one year	18	(67)	(551)
Net assets		86,082	81,896
Capital and reserves			
Share capital	19	-	-
Retained earnings		68,922	67,905
Other reserves		17,160	13,991
Total shareholder's funds		86,082	81,896

The notes on pages 19 to 38 form part of these financial statements.

The financial statements were approved by the board of directors on 4th November 2021 and signed on its behalf by:



Andrew Gravatt
Director
4th November 2021

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital and share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2019	-	6,772	175,583	182,355
Loss for the year	-	-	(8,269)	(8,269)
Dividends paid	10		(99,409)	(99,409)
Other comprehensive income for the period	-	7,219	-	7,219
Balance as at 31 December 2019	-	13,991	67,905	81,896
Profit for the year	-	-	1,017	1,017
Other comprehensive income for the period	-	3,169	-	3,169
Balance as at 31 December 2020	-	17,160	68,922	86,082

Notes to the financial statements

1 General information

Marken 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 5. The financial statements include the reported results of all branches. Marken Limited's branches are Argentina, Belgium, Hong Kong, India, Italy, Japan, Mexico, Netherlands, Republic of Ireland, South Africa, Sweden, London and Singapore.

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 21.

Adoption of new and revised standards and changes in accounting policies

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the company's financial statements.

The company has not made any significant changes to its accounting policies, which have a material impact on the company's financial statements.

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

The new following and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, 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.

<i>New and revised IFRS</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting issued on 29 March 2018	1 January 2020
Amendments to IFRS 16 Covid-19 Related Rent Concessions	1 June 2020

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

- IFRS 17: Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements
- Amendments to IFRS 17 Insurance Contracts
- Extension of the Temporary Exemption from Applying IFRS 9 - Amendments to IFRS 4
- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform — Phase 2

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Marken 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 FRS 101.

Certain comparative figures have been reclassified to conform to the current year presentation.

The financial statements incorporate those of Marken Limited and all of its branches. All branch financial statements are made up to 31 December 2020.

All intra-branch transactions, balances and unrealised gains on transactions between branches are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The company is exempt by virtue of s.401 of the Companies Act 2006 from the requirement to prepare group financial statements as its results are included within the consolidated financial statements of its ultimate parent United Parcel Services Inc, which are publicly available (see note 21). These financial statements therefore present financial information about the company as an individual undertaking and not about its group.

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), 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) and 135(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)].

Notes to the financial statements (continued)

2.2 *Going concern*

The company has support from the ultimate parent company, United Parcel Service, Inc, which has confirmed that there is no intention to ask for repayment of amounts due to itself and other group companies in the foreseeable future, and for a period of no less than 20 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.

2.3 *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.

2.4 *Revenue*

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 recognises 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)

2.5 *Exceptional items*

Exceptional items are non-recurring material items which are outside the normal scope of the company's ordinary activities such as professional advisor fees incurred as part of a group restructure. Such items are disclosed separately within the financial statements.

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 operates ('the functional currency'). The financial statements are presented in 'Pound sterling' (£). Transactions in currencies other than the company'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 company's branches 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 dates of the transactions. 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 and 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.

Notes to the financial statements (continued)

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 group 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.

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.

Notes to the financial statements (continued)

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, the group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the 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 |
| • Plant and equipment | 15% per annum |
| • Computer equipment | 33.3% per annum |
| • Plant facilities | 20% per annum |
| • Durable shippers | 20% 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.

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.

Notes to the financial statements (continued)

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets as follows:

- Software development 25% per annum

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.11 Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.13 Impairment of investments

The carrying amounts of the company's investments are reviewed for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

2.14 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.

2.15 Cash and liquid resources

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Notes to the financial statements *(continued)*

2.16 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 group 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 statement of 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.

2.17 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.

2.18 Global recharges

Global costs are incurred on a branch level which are then recharged to Marken Services Limited at a 5% mark up. A 1% mark-up is then added within Marken Services Limited and recharged to the entities based on the % of shipments that entity has completed in comparison to the total number of shipments completed by the Marken group per month. These costs are charged one month in arrears. Within the financial statements, these are shown net of the income or expense incurred on these global recharges.

2.19 Hyperinflation

Inflation in Argentina has been in hyperinflation since July 2018 and on that basis Marken Limited have applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. Marken (Argentina) Limited have been stated in terms of the measuring unit current at the end of the reporting period. The gain or loss on the net monetary position is included in profit or loss for the period.

Notes to the financial statements (continued)

2.20 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.

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.

Notes to the financial statements *(continued)*

2.20 *Financial instruments (continued)*

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities measured subsequently at amortised cost. 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 – Tangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recovered. When a review for impairment is conducted the recoverable amount of an asset or cash-generating unit is determined based on the higher 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) Impairment of investments – Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recovered. When a review for impairment is conducted the recoverable amount of an asset or cash-generating unit is determined based on the higher 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. Directors have noted that there are no impairment indicators and therefore an impairment model has not been prepared.

(iii) 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.

Notes to the financial statements (continued)

4 Analysis of turnover

Turnover relates to the company's principal activity, which the directors consider constitutes a single class of business. Turnover arose in the following regions:

	2020	2019
	£000	£000
EMEA	95,875	54,928
Latin America	7,762	8,922
Asia/Pacific	7,710	10,905
Turnover	111,347	74,755

5 Operating expenses

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

	2020	2019
	£000	£000
Foreign exchange loss/(gain)	53	(163)
Transportation expenses	73,174	49,118
Premises costs	1,507	1,286
Consumables and durables packaging	4,477	2,607
Salary and other employment costs	19,379	14,640
Other administration expenses	5,295	2,046
IT and communication costs	1,319	1,394
Advertising and selling expenses	334	389
Global recharges	(1,781)	(315)
Professional fees, including audit*	585	326
Depreciation and amortization – owned assets	1,562	1,344
Depreciation – right of use assets	729	755
Operating expenses	106,633	73,427

*Fees payable to Deloitte Ireland LLP for the audit of the Company's annual financial statements were £190k (2019: £179k). The audit fees for the group were accrued in Marken Services Limited on behalf of the Marken group.

6 Exceptional items

Exceptional items recognised in arriving at operating profit were follows:

	2020	2019
	£000	£000
Write down of duty tax (debtor)*	4,888	-
Exceptional items	4,888	-

* Included in the group's debtors balance are overdue duties receivables with a net carrying amount of £5,518k (31 December 2019: £4,682k). During the year, management carried out a recoverability assessment of these balances and concluded £4,888k are deemed unrecoverable. Accordingly, a £4,888k provision has been booked against the amount outstanding as at 31 December 2020.

Notes to the financial statements (continued)

7 Employees

Salary and other employment costs

	2020	2019
	£000	£000
Wages and salaries	14,084	10,513
Social security costs	1,827	1,437
Pension costs	456	350
Employee related expenses	2,566	1,536
Other employment benefits	446	804
Salary and other employment costs	19,379	14,640

The average monthly number of employees (including executive directors) analysed by category was as follows:

	2020	2019
	Number	Number
Management	4	4
Administration	126	107
Operations	286	237
Average number of employees	416	348

Director Emoluments

	2020	2019
	£000	£000
Aggregate emoluments	418	189

Emoluments paid to the highest paid director through this company were £418k (2019: £189k). Pension contributions of 11k were also made on his behalf (2019: £10.5k).

8 Finance income and finance costs

	2020	2019
	£000	£000
Interest receivable from group undertakings	3,144	2,620
Net foreign exchange gain on intercompany financing	4,841	-
Interest receivable and similar charges	7,985	2,620
Net foreign exchange losses on intercompany financing	-	(7,378)
Bank and interest payable	(15)	(8)
Interest payable to group undertakings	(3,891)	(3,275)
Interest payable and similar charges	(3,906)	(10,661)
Net finance gain /(costs)	4,079	(8,041)

Notes to the financial statements (continued)

9 Taxation

	2020 £000	2019 £000
Current tax		
UK Corporation tax on profits for the year	2,093	874
Double taxation relief	(1,411)	(874)
Foreign tax		
Current tax on income for the year	2,193	1,550
Adjustments in respect of previous periods	13	6
Total current tax charge	2,888	1,556
Deferred tax	-	-
Total tax charge	2,888	1,556

Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before taxation	3,905	(6,713)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 20%)	742	(1,275)
Effects of:		
Expenses non-deductible/(taxable) for tax purposes	2,334	523
Movements in unrecognised fixed asset and other temporary differences	201	98
Higher rates of overseas tax net of double taxation relief	782	676
Group relief	(502)	1,528
Utilisation of brought forward losses	(682)	-
Adjustment in respect of prior years	13	6
Current tax charge	2,888	1,556

Factors affecting the future tax charge

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

Notes to the financial statements (continued)

Deferred tax

Deferred taxes at the balance sheet date have been measured using the substantively enacted tax rates at which they are expected to reverse.

Unrecognised deferred tax asset:

	2020	2019
	£000	£000
Accelerated capital allowances	836	682
Short term timing differences*	5,015	5,067
Tax losses	2,630	3,312
Deferred tax asset	8,481	9,061

There are currently no deferred income tax liabilities in respect of withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries.

*Short term timing differences relate to foreign tax credits on branch profits that are unlikely to be utilised in the immediate future due to the fact that the UK rate of corporation tax is generally lower than most of the countries where it has branches.

10 Dividends

	2020	2019
	£000	£000
Dividends on equity shares	-	99,409
Dividends	-	99,409

No dividend was paid in the year (2019 - Dividends of £994,090 per share was paid to De Facto 1341 Limited totalling £99,409k).

Notes to the financial statements (continued)

11 Financial assets

	2020 £000	2019 £000
Cost 1 January	87,472	87,295
Additions	-	177
Cost 31 December	87,472	87,472

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

On 1st March 2020, the Company transferred its Japanese branch operations to Marken Japan Holdings Kabushiki Kaisha, a wholly owned subsidiary. The transfer comprised the goodwill of the Japanese branch, the branch's fixed assets and packaging stock. All transfers were made at net book value and the transfer of goodwill and fixed assets were settled through the issuance of 60,000 Yen 100 shares whilst the packaging stock was cash settled. Accordingly, there was no gain or loss arising on the transfer of the Japanese branch operations.

The company had the following subsidiaries at 31 December 2020.

Name	Country of incorporation / registration	Nature of business	Ordinary shares directly held by the company (%)	Ordinary shares directly held by Marken Time Critical Express GmbH (%)	Ordinary shares held by Marken Japan Holdings Limited (%)
Marken Time Critical Express (Beijing) Limited	China	Trading company	100%		
Marken Switzerland AG	Switzerland	Trading company	100%		
Marken Time Critical Express GmbH	Germany	Trading company	100%		
Marken Korea LLC	South Korea	Trading company	100%		
Marken LLC (Russia)	Russia	Trading company	100%		
Marken Taiwan Limited	Taiwan	Trading company	100%		
Marken Japan Holdings Limited	Japan	Trading company	100%		
Marken Germany GmbH	Germany	Trading company		100%	
Marken Time Critical Express Limited	England	Trading company		100%	
Marken (South America) Limited	England	Trading company		100%	
PCX International Co Limited	Japan	Trading company			100%

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held.

Notes to the financial statements (continued)

12 Intangible assets

	Software assets £000
Cost	
As at 1 January	6,916
Additions	1,778
As at 31 December	8,694
Accumulated amortization	
As at 1 January	(5,122)
Charge for the year	(483)
As at 31 December	(5,605)
Net book value	
At 31 December 2020	3,089
At 31 December 2019	1,794

13 Property, plant and equipment

	Motor Vehicles £000	Plant & Equipment £000	Computer Equipment £000	Plant facilities £000	Durable Shippers £000	Right-of- use asset- Plant & Equipment £000	Right-of- use-asset- Plant facilities £000	Total £000
Cost								
At 1 January 2020	237	187	2,444	2,916	1,263	53	2,039	9,139
Additions	-	24	922	607	658	-	-	2,211
Disposals	-	(13)	(63)	(538)	(122)	(8)	(168)	(912)
Currency translation	(13)	4	(45)	(68)	(37)	3	(19)	(175)
At 31 December 2020	224	202	3,258	2,917	1,762	48	1,852	10,263
Accumulated depreciation								
At 1 January 2020	(124)	(158)	(1,486)	(1,438)	(582)	(28)	(727)	(4,543)
Charge for the year	(20)	(9)	(678)	(103)	(265)	(21)	(708)	(1,804)
Accumulated dep. on disposals	-	13	59	40	24	7	150	293
Currency translation	7	1	65	62	-	(2)	7	140
At 31 December 2020	(137)	(153)	(2,040)	(1,439)	(823)	(44)	(1,278)	(5,914)
Net book value								
At 31 December 2020	87	49	1,218	1,478	939	4	574	4,349
At 31 December 2019	113	29	958	1,478	681	25	1,312	4,596

Notes to the financial statements (continued)

14 Stocks

	2020	2019
	£000	£000
Consumable packaging	638	668
Stocks	638	668

A total of £4,477k has been included in operating expenses in the income statement for 2020 (2019: £2,607k).

15 Debtors

	2020	2019
	£000	£000
Trade debtors	13,137	9,561
Amounts owed by group undertakings	60,896	64,488
Amounts due by parent company *	38,111	21,492
Corporation tax receivable	1,417	1,332
Other debtors	1,287	4,725
VAT recoverable	167	-
Prepayments and accrued income	8,165	5,317
Debtors	123,180	106,915

Amounts owed by group entities; two loans with Marken Time Critical Express GmbH and Marken Time Critical Express Limited are interest bearing with an interest rate of 5.5% (2019: 5.5%) and 3.96% (2019: 3.96%) respectively. The remaining loans are non-interest bearing, unsecured and are repayable on demand.

16 Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	3,910	2,584
Cash and cash equivalents (excluding bank overdrafts)	3,910	2,584

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Notes to the financial statements (continued)

17 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	1,774	1,631
Amounts owed to group undertakings	79,991	76,107
Amounts due to parent company	44,471	28,406
Corporation tax payable	70	-
Other taxes and social security	68	171
Accruals and deferred income	9,328	10,645
Other payables	332	3,820
Lease liabilities	455	774
VAT payable	-	28
Creditors: amounts falling due within one year	136,489	121,582

Amounts owed to the group undertakings; loan with De Facto 1341 Limited is interest bearing with a rate of 7.5% and the remaining balances owed to group entities are non-interest bearing, unsecured and are repayable on demand.

18 Creditors: amounts falling due beyond one year

	2020	2019
	£000	£000
Lease Liabilities	67	551
Creditors: amounts falling due beyond one year	67	551

19 Called up share capital

	2020	2019
	£	£
<i>Authorised, issued and fully paid</i>		
Ordinary shares of £1 each	100	100

20 Pension scheme

The company operates or contributes to a number of defined contribution pension schemes. The pension costs charge for the financial year represents contributions payable by these schemes and amounted to £456k (2019: £350k).

Outstanding pension contributions at year-end were £nil (2019: £66k) and are included in creditors falling due within one year (Note 17).

21 Ultimate parent undertaking

The company's immediate parent undertaking and controlling party is De Facto 1341 Limited, a company incorporated in the UK.

The ultimate parent undertaking, controlling party and the smallest and largest group to consolidate these financial statements is United Parcel Services Inc, a company incorporated in the United States of America.

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

Notes to the financial statements (continued)

22 Post balance sheet events

On 15th March 2021 and 27th October 2021, Marken Limited paid an amount of £17,000,000 and £6,652,837 respectively to UPS Global Treasury PLC. This amount was in respect of the loan repayment in full and the accumulated interest there on.

Aside from the above there has been no other significant events after the reporting date and up to the date of authorization on 4th November 2021, which would have a material effect on these financial statements.