

HIGGS INTERNATIONAL LIMITED

Company number: 561496

Annual Report and Financial Statements

For the Year Ended

31 December 2002

Directors

**A J Chequer
C E Turner
I R Smith
A K Robinson
D J Starkey
H F Downing**

Secretary

Exel Secretarial Services Ltd



**Registered Office
Ocean House, The Ring, Bracknell, Berkshire, RG12 1AN**

HIGGS INTERNATIONAL LIMITED

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2002.

Results and dividends

	2002 £000	2001 £000
Profit for the year	426	1,486
Dividends proposed	Nil	Nil
Retained profit for the year	<u>426</u>	<u>1,486</u>

The Directors do not recommend the payment of a dividend (2001: £Nil).

In the opinion of the Directors it is considered appropriate to amend the presentation of the Profit and Loss Account to Format 2 under Schedule 4 of the Companies Act 1985, in order to present the results of the Company consistently with other members of the Exel plc Group.

Principal activity and business review

The principal activity of the Company is that of a freight-forwarding agency for UK newspapers. The Directors believe that future prospects remain positive.

In the opinion of the Directors the annexed financial statements give a fair review of the development of the business during the year and of its position at the end of the year. A comprehensive review of the state of affairs of the Group is contained in the report and financial statements of Exel plc, the ultimate parent undertaking.

Future developments

Given the trend towards our key customers establishing overseas print sites adversely affecting the ability of the Company to realise airfreight profit, the future developments of the Company are now focused towards the magazine industry where significant growth is anticipated.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Creditor payment policy

It is the Company's practice that payments to suppliers are generally made in accordance with terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2002, the amount for trade creditors on the balance sheet represented 62 days (2001: 55 days) of average daily purchases for the Company.

HIGGS INTERNATIONAL LIMITED

Directors' Report

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures is closed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Directors

The Directors who held office during and after the year ended are given below:

I R Smith	
C E Turner	
A K Robinson	
A J Chequer	
D J Starkey	Appointed 28/03/03
H F Downing	Appointed 28/03/03

HIGGS INTERNATIONAL LIMITED

Directors' Report

Directors' interests

Ordinary Shares

The interests of the Directors in office at the end of the year, and their families, in the ordinary shares of Exel plc, the Company's ultimate holding company are as shown below.

	Ordinary shares	
	At 1 January 2002	At 31 December 2002
I R Smith	1,000	1,000

According to the registers kept by the Company under section 325 of the Companies Act 1985, the Directors at the end of the financial year had no notifiable interest in the shares of Exel plc, the ultimate parent company.

Long Term Incentive Plan

In addition to the above, there were the following interests in shares under the Exel plc Long Term Incentive Plan.

The awards, subject to the required performance criteria, vest after three years and the shares can be taken into the participant's own name after four years from the date of award. Dividends are re-invested in shares, added to the holding and treated as part of the original award for the purpose of vesting. The number of shares ultimately vesting will depend on certain performance conditions being met. There were no Long Term Incentive Plan allocations during 2002.

	Long Term Incentive Plan Ordinary shares			
	At 1 January 2002	Reinvested	Lapsed	At 31 December 2002
I R Smith	65,647	1,172	24,946	41,873

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Directors' Report

Directors' interests (continued)

Options

The following Directors held options under Exel plc's Share Option Schemes:

	At 1 January 2002				At 31 December 2002
	Number	Granted	Exercised	Cancelled	Number
A J Chequer	1,667	-	-	-	1,667
	1,500	-	-	-	1,500
	1,335	-	-	-	1,335
	1,692	-	-	-	1,692
	580	-	-	-	580
	1,103	-	-	-	1,103
	991	-	-	-	991
A K Robinson	1,707	-	-	-	1,707
	1,536	-	-	-	1,536
	1,817	-	-	-	1,817
	1,753	-	-	-	1,753
	726	-	-	-	726
	2,879	-	-	-	2,879
I R Smith	87,366	-	-	-	87,366
	-	91,764	-	-	91,764
	2,061	-	-	-	2,061
C E Turner	2,221	-	-	-	2,221
	1,998	-	-	-	1,998
	1,779	-	-	-	1,779
	8,655	-	-	-	8,655
	513	-	-	-	513
	592	-	-	-	592
	2,879	-	-	-	2,879

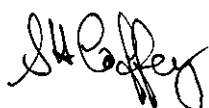
No options lapsed during the year. The market price of the shares at 31 December 2002 was 688p and the range during 2002 was 591.5p to 950.0p.

Options granted during the year under Exel's Executive Share Option Schemes at prices of 850p and 762p will, at the date of vesting, require measurement against the growth in the underlying basis earnings per share of Exel plc over the qualifying period.

Auditors

Ernst & Young LLP will be re-appointed as the Company's Auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Authorised Signatory
For and on behalf of
Exel Secretarial Services Limited

Date : 30 October 2003

HIGGS INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIGGS INTERNATIONAL LIMITED

We have audited the Company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies, Statement of Total Recognised Gains and Losses and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Address

Date: 30 OCTOBER 2003

HIGGS INTERNATIONAL LIMITED

Profit and Loss Account

For the year ended 31 December 2002

		2002 £000	2001 £000
	Note		
Turnover	1	34,779	38,090
Operating profit	1	1,026	1,486
Amounts written off investments	6	600	-
Profit on ordinary activities before taxation		426	1,486
Tax on profit on ordinary activities	4	-	-
Profit for the financial year	10	426	1,486
Transferred to reserves		426	1,486

Movements in shareholders' funds are set out in note 10.

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit for the year of £426,000 (2001: £1,486,000).

The notes on pages 11 to 17 form part of these financial statements.

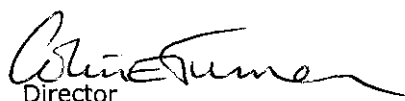
HIGGS INTERNATIONAL LIMITED

Balance Sheet

At 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	5	534	576
Investments	6	1,759	2,359
		<u>2,293</u>	<u>2,935</u>
Current assets			
Stocks		-	6
Debtors: amounts falling due within one year	7	7,448	10,710
Cash at bank and in hand		2,266	497
		<u>9,714</u>	<u>11,213</u>
Creditors: amounts falling due within one year	8	<u>(6,889)</u>	<u>(9,456)</u>
Net current assets		<u>2,825</u>	<u>1,757</u>
Total assets less current liabilities		<u>5,118</u>	<u>4,692</u>
Capital and reserves			
Called up share capital	10	20	20
Profit and loss account	10	5,098	4,672
Equity shareholders' funds		<u>5,118</u>	<u>4,692</u>

Approved by the Board on Date : 30 November 2003 and signed on its behalf.


Director

The notes on pages 11 to 17 form part of these financial statements.

HIGGS INTERNATIONAL LIMITED

Accounting Policies

The accounting policies adopted by the Company are set out below and are consistent with the previous year, except for the adoption of FRS 19 'Deferred tax'.

The adoption of FRS 19 'Deferred tax' has had no impact on these financial statements, except for the disclosures in Note 4 of 'Factors affecting tax charge for period', as the ultimate parent undertaking, Exel plc has undertaken to discharge the Company's liability to UK corporation tax.

The Company has not yet adopted FRS 17 'Retirement benefits'. The phased transitional disclosure requirements of FRS 17 'Retirement benefits' have been included in the financial statements of the ultimate parent undertaking, Exel plc.

(a) Accounting convention

The financial statements are prepared under the historical cost convention and are in accordance with applicable UK accounting standards.

(b) Basis of preparation

Group financial statements have not been prepared because the Company is a wholly owned subsidiary of Exel plc, a company incorporated in Great Britain. These financial statements present information about the Company as an individual undertaking and not about its group.

The group financial statements of Exel plc contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by FRS 1 whereby it is not required to publish its own cash flow statement.

The Company has taken advantage of the exemption granted by FRS 8 from disclosure of related party transactions with members of the Group or associates of other Group members.

(c) Turnover

Turnover comprises the value of charges for the sale of services and goods to third parties. Turnover is recognised when services have been completed. Turnover excludes value added tax and equivalent taxes, *duty and other disbursements made on behalf of customers*.

(d) Tangible fixed assets and depreciation

Fixed assets are stated at cost less depreciation and less permanent reductions in value. Cost includes interest on the funding of major assets until the asset is complete.

Depreciation of tangible fixed assets (excluding freehold and long leasehold land and assets in the course of construction, which are not depreciated) is charged evenly over their estimated useful lives at the following rates:

Short leasehold land and buildings	Over the life of the lease
Plant and equipment	2 to 20 years

Assets that are not expected to be held for the whole of their useful lives are written down to estimated residual values at disposal.

Disposals of land and buildings are taken into account when sale agreements have been entered into prior to the balance sheet date, provided that the disposal has been completed before the financial statements are approved.

The carrying values of tangible fixed assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

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Accounting Policies (continued)

(e) **Leased assets**

Rental costs of operating leases are charged against profit before interest as incurred.

(f) **Stock**

Stock, principally raw materials and consumables, is stated at the lower of cost and net realisable value. Cost includes, where appropriate, relevant overheads.

(g) **Taxation**

The Company does not provide for UK corporation tax or deferred tax because the ultimate parent undertaking has undertaken to discharge the Company's liability to UK corporation tax.

(h) **Pensions**

The Exel Group maintains UK pension schemes for the funding of retirement benefits for scheme members during their working lives in order to pay benefits to them after retirement and to their dependants after their death. The cost of providing these benefits is assessed by external professional actuaries and is charged to the profit and loss account so as to spread the cost of retirement benefits over the period during which the employer derives benefit from the employee's services. The Company does not maintain any other post-retirement benefits.

(i) **Foreign currency translation**

All transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by forward foreign currency contracts. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date or if appropriate at a forward foreign currency contract rate. Exchange differences arising on foreign currency transactions are included in the profit and loss account.

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Notes to the Financial Statements

For the year ended 31 December 2002

1 Turnover and operating profit

Turnover relates to the Company's principal activity, which the Directors consider constitutes a single class of business. The geographical origin of turnover was the United Kingdom.

The following amounts have been charged in arriving at the operating profit:

	2002 Total £000	2001 Total £000
Raw materials, consumables and other purchases	2,467	2,031
Staff costs		
Wages and Salaries	3,462	3,782
Social Security Costs	238	285
Other pension costs	399	-
Depreciation		
Owned assets	231	292
Amortisation of goodwill		
Operating lease rentals		
Land and buildings	164	46
Vehicles, plant and equipment	73	104
Redundancy	20	-
Auditors' remuneration	15	15
Other operating charges	26,684	30,049
	<u>33,753</u>	<u>36,604</u>

2 Directors' emoluments

	2002 £000	2001 £000
Aggregate emoluments	265	383
	<u>265</u>	<u>383</u>

HIGGS INTERNATIONAL LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

2 Directors' emoluments (continued)

	2002 Number	2001 Number
Directors for whom retirement benefits are accruing:		
Defined benefit schemes	<u>3</u>	<u>4</u>
	2002	2001
	£000	£000
Amounts in respect of the highest paid Director were as follows		
Aggregate emoluments	102	118
Defined benefit amounts:		
Accrued pension at the year end	40	37
Accrued lump sum at the year end	345	302
	<u>487</u>	<u>457</u>

The highest paid Director did not exercise any share options during the year and did not receive any shares under a long term incentive scheme.

3 Employees

The average number of persons employed during the year was as follows: -

	2002 Number	2001 Number
Sales		
Administrative	22	24
Other	120	137
	<u>142</u>	<u>161</u>

HIGGS INTERNATIONAL LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

4 Tax on profit on ordinary activities

The ultimate parent undertaking has undertaken to discharge the Company's liability to UK corporation tax, therefore no provision has been made for UK corporation tax or deferred tax.

Factors affecting tax charge for period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before taxation	426	1,486
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	128	446
Effects of:		
Expenses not deductible for tax purposes	312	10
Capital allowances for period in excess of depreciation	(2)	14
Utilisation of tax losses	-	-
Group relief claimed	(438)	(470)
Current tax charge	-	-

HIGGS INTERNATIONAL LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

5 Tangible fixed assets

	Short leasehold		
	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2002	507	1,513	2,020
Additions	1	214	215
Disposals	-	(180)	(180)
At 31 December 2002	508	1,547	2,055
Depreciation			
At 1 January 2002	507	937	1,444
Charge for the year	-	231	231
Disposals	-	(154)	(154)
At 31 December 2002	507	1,014	1,521
Net book amount			
At 31 December 2002	1	533	534
At 1 January 2002	-	576	576

6 Investments

	Shares in subsidiary undertaking s £000	Total £000
Cost		
At 1 January 2002	2,359	2,359
At 31 December 2002	2,359	2,359
Provisions		
At 1 January 2002	-	-
Charge in the year	(600)	(600)
At 31 December 2002	(600)	(600)
Net book amount		
At 31 December 2002	1,759	1,759
At 1 January 2002	2,359	2,359

HIGGS INTERNATIONAL LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

6 Investments (continued)

The following companies are subsidiary undertakings and, unless otherwise stated, 100% of the ordinary share capital is owned, they are incorporated in Great Britain, operate in their country of incorporation, and have a 31 December year end:

Company	Nature of business
Newsround International Airfreight Limited	Dormant
Express Presse International (1992) Limited	Dormant
Higgs Air Espana	Dormant

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the aggregate amount included in the balance sheet.

7 Debtors

	2002 £000	2001 £000
Amounts falling due within one year		
Trade debtors	5,064	4,410
Amounts owed by group undertakings	1,201	4,575
Taxation recoverable	-	360
Other debtors	785	925
Prepayments and accrued income	398	440
	<u>7,448</u>	<u>10,710</u>

8 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	2,923	3,401
Amounts owed to group undertakings	1,279	2,854
Deferred consideration	400	400
Other taxes and social security	613	112
Other creditors	52	52
Accruals and deferred income	1,622	2,637
	<u>6,889</u>	<u>9,456</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

9 Pensions

The Company participates in the contributory funded pension schemes operated by the Exel Group.

The two major UK schemes are of the defined benefit type (except for the part of the Exel Retirement Plan for members under the age of 40 which is of the defined contribution type) and are administered by external trustees independently of the Group's finances. Details of the schemes are disclosed in the financial statements of Exel plc.

Employer and employee contributions to the two principal schemes are determined across participating companies in the Exel Group in consultation with external professional actuaries whose latest valuations were made as at 31 March 2000. The charge in respect of the schemes is the regular cost of benefits accruing during the year.

For FRS 17 disclosure purposes, the latest actuarial valuations of the schemes were updated by Watson Wyatt Limited to assess the liabilities of the schemes at 31 December 2002 and the schemes' assets were stated at their market value at 31 December 2002. On this basis, the aggregate surplus in the schemes was £59m. It is not possible to identify the Company's share of the underlying assets and liabilities of the group schemes.

10 Movements in shareholders' funds

	Share capital £000	Profit and loss account £000	2002 Total £000	2001 Total £000
Profit for the year	-	426	426	1,486
At 1 January	20	4,672	4,692	3,206
At 31 December	20	5,098	5,118	4,692

The authorised share capital is 20,010 shares of £1 each, all of which have been allotted, called up and fully paid.

HIGGS INTERNATIONAL LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2002

11 Financial commitments

There were no capital commitments at 31 December 2002 (31 December 2001: Nil).

Operating leases

The Company had commitments during the next financial year in respect of non-cancellable operating leases expiring as follows:

	Land and buildings £000	2002 Plant and equipment £000	Land and buildings £000	2001 Plant and equipment £000
Operating leases which expire				
within one year	-	2	-	3
between one and five years	158	65	158	43
after five years	46	-	46	25
	<u>204</u>	<u>67</u>	<u>204</u>	<u>71</u>

A large proportion of operating leases in respect of land and buildings is subject to rent reviews.

12 Contingent liabilities

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

13 Ultimate parent undertakings

The Company's immediate parent undertaking is MSAS Global logistics Limited. The Company's ultimate parent undertaking is Exel plc which is registered in England. This is the only group of which the Company is a member for which group financial statements are prepared. Copies of the financial statements of Exel plc can be obtained from Ocean House, The Ring, Bracknell, Berkshire, RG12 1AN.