

Directors' Report and Accounts

# Mercury Airfreight Holdings Limited

31 March 1986

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Ernst & Whinney

MERCURY AIRFREIGHT HOLDINGS LIMITED

DIRECTORS' REPORT

Directors:

A Peart Smith (Chairman)  
D S Rothwell (Managing Director)  
G R Lines FCA  
R G Miller FCA  
P K Quanttrill  
P D Stephenson  
C H Thomas  
P J Walters

Secretary:

R G Miller FCA

Registered Office: Unitair Centre, Great South West Road, East Bedfont,  
Feltham, Middlesex TW14 8NJ

The directors present their report for the year ended 31 March 1986.

ACCOUNTS AND DIVIDENDS

The directors submit the audited accounts of the company for the year ended 31 March 1986. The group profit for the year and the treatment thereof is set out in the profit and loss account on page 4.

The directors propose that the following dividends be paid, a dividend of £3 in respect of the issued, redeemable preference shares and dividends of £50,000 on the 'A' and 'B' ordinary shares respectively.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activities of the group continue to be freight forwarding and road haulage.

The much improved systems arising from the computer enhancement programme were a material factor in the group maintaining its premier position in the industry.

An operational presence was established in the USA (New Jersey) mainly to handle printed work traffic and simultaneously our previous arrangements in New York were terminated.

FIXED ASSETS

The group acquired fixed assets having a cost value of £670,530 and disposed of those having an original cost value of £282,172.

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

## DIRECTORS

The directors of the company during the year ended 31 March 1986 were those listed above. Mr M J Stephenson was appointed an alternate director to Mr G R Lines and Mr P D Stephenson on 22 April 1986.

## DIRECTORS' INTERESTS

None of the directors had any interest in the share capital of the company or its subsidiaries required to be disclosed under the terms of the Companies Act 1985.

## DISABLED PERSONS

It is the group's policy to give full consideration to suitable applications for employment from disabled persons.

## CHARITABLE AND POLITICAL CONTRIBUTIONS

The group donated £1,720 for charitable purposes during the year.

## CLOSE COMPANY PROVISIONS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

## AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board

R G Miller

Secretary

31 July 1986

# Ernst & Whinney

Chartered Accountants

## REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Mercury Airfreight Holdings Limited set out on pages 4 to 17. These have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group, so far as concerns members of the company, at 31 March 1986 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Ernst & Whinney*

Ernst & Whinney

London

31 July 1986

MERCURY AIRFREIGHT HOLDINGS LIMITED  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1986

	Note	1986 £	1985 £
TURNOVER	2	73,895,373	68,550,117
Cost of sales		<u>65,525,609</u>	<u>60,955,053</u>
GROSS PROFIT		8,369,764	7,595,064
Administrative expenses		(7,486,671)	(6,673,570)
Other operating income		<u>-</u>	<u>24,717</u>
NET OPERATING INCOME	3	883,093	946,211
Interest receivable		110,136	75,459
Interest payable and similar charges	6	<u>(3,191)</u>	<u>(3,859)</u>
PROFIT BEFORE TAXATION		990,038	1,017,811
Tax on profit on ordinary activities	7	<u>471,944</u>	<u>498,041</u>
PROFIT AFTER TAXATION	8	518,094	519,770
Dividends	9	<u>100,003</u>	<u>100,003</u>
RETAINED PROFIT FOR THE YEAR	17	<u>£418,091</u>	<u>£419,767</u>

MERCURY AIRFREIGHT HOLDINGS LIMITED  
 CONSOLIDATED BALANCE SHEET - 31 MARCH 1986

	Note	1986 £	1985 £
<b>FIXED ASSETS</b>			
Tangible assets	10	<u>1,170,383</u>	<u>1,033,819</u>
<b>CURRENT ASSETS</b>			
Debtors	12	12,201,434	11,286,265
Cash at bank and in hand		<u>763,729</u>	<u>750,804</u>
		<u>12,965,163</u>	<u>12,037,069</u>
<b>CREDITORS - amounts falling due within one year</b>			
Bank overdraft		726,470	184,816
Other creditors	13	<u>10,276,022</u>	<u>10,169,078</u>
		<u>11,002,492</u>	<u>10,353,894</u>
<b>NET CURRENT ASSETS</b>		<u>1,962,671</u>	<u>1,683,175</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,133,054</u>	<u>2,716,994</u>
<b>CREDITORS - amounts falling due after more than one year</b>			
	14	201,300	201,000
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	15	<u>173,702</u>	<u>210,890</u>
		<u>£2,758,052</u>	<u>£2,305,104</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	500,100	500,100
Profit and loss account	17	2,257,952	1,805,004

A Peart Smith

D S Rothwell

31 July 1986

Directors

£2,758,052

£2,305,104

## MERCURY AIRFREIGHT HOLDINGS LIMITED

BALANCE SHEET - 31 MARCH 1986

	Note	1986 £	1985 £
<b>FIXED ASSETS</b>			
Tangible assets	10	284,128	370,307
Investments	11	805,566	1,017,413
		<u>1,089,694</u>	<u>1,387,720</u>
<b>CURRENT ASSETS</b>			
Debtors	12	359,908	332,670
Cash at bank and in hand		508,932	163,261
		868,840	495,931
<b>CREDITORS - amounts falling due within one year</b>	13	<u>650,754</u>	<u>727,679</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>218,086</u>	<u>(231,748)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,307,780</u>	<u>1,155,972</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	15	<u>62,330</u>	<u>96,293</u>
		<u>£1,245,450</u>	<u>£1,059,679</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	500,100	500,100
Profit and loss account	17	745,350	559,579
		<u>£1,245,450</u>	<u>£1,059,679</u>

A Peart Smith

D S Rothwell

31 July 1986

Directors

## MERCURY AIRFREIGHT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 MARCH 1986

	1986 £	1985 £
<b>SOURCE OF FUNDS</b>		
<b>FROM OPERATIONS</b>		
Profit before taxation	990,038	1,017,811
Depreciation of tangible fixed assets	510,824	420,075
Profit on sale of tangible fixed assets	(23,546)	(21,428)
Exchange difference	32,379	(4,845)
<b>Total generated from operations</b>	<b>1,509,695</b>	<b>1,411,613</b>
<b>OTHER SOURCES</b>		
Proceeds of sale of tangible fixed assets	49,166	39,302
	<b>1,558,861</b>	<b>1,450,915</b>
<b>FUNDS APPLIED</b>		
Purchase of tangible fixed assets	670,530	525,588
Dividends paid	100,003	-
Taxation paid	497,992	368,863
	<b>1,268,525</b>	<b>894,451</b>
<b>INCREASE IN WORKING CAPITAL</b>	<b>£290,336</b>	<b>£556,464</b>
<b>Arising from movements in:</b>		
Debtors	915,169	911,319
Creditors, excluding taxation and dividends	(96,104)	(800,265)
Liquid funds	(528,729)	445,410
	<b>£290,336</b>	<b>£556,464</b>

Ernst &amp; Whinney



# WREDDRY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

### 1 ACCOUNTING POLICIES

#### (a) Accounting convention

The accounts are prepared under the historical cost convention.

#### (b) Depreciation of tangible fixed assets

The cost of tangible fixed assets is written off over their expected useful lives as follows:

Improvements to leasehold premises	5 years
Equipment and fittings	5 - 10 years
Computer software	3 years
Motor vehicles	3 - 4 years

#### (c) Goodwill

Goodwill, including the excess of cost of subsidiaries over the net book value of assets at the date of acquisition, is not recognised in the balance sheet. Amounts paid in this respect are written off as incurred.

#### (d) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences which are not expected to continue in the foreseeable future.

#### (e) Foreign currencies

Assets, liabilities and trading results in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the profit and loss account except for those differences arising on the retranslation of the opening net assets of overseas subsidiaries which are charged or credited to reserves.

### 2 TURNOVER

Turnover comprises the gross amounts invoiced less credits to customers and excludes charges to customers for payments made on their behalf covering customs duty.

The geographical analysis of turnover is as follows:

	1986 £	1985 £
United Kingdom	65,472,367	61,558,932
Europe	8,031,931	6,991,185
USA	391,075	-
	<u>£73,895,373</u>	<u>£68,550,117</u>

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

3 NET OPERATING INCOME is stated after charging/(crediting):

	1986 £	1985 £
Depreciation of tangible fixed assets	510,824	420,075
Operating lease rentals - property	363,958	322,433
Auditors' remuneration	64,296	52,383
Profit on sale of tangible fixed assets	(23,546)	(21,428)
Hire of plant, equipment, fixtures and fittings	<u>39,574</u>	<u>25,390</u>

## 4 STAFF COSTS

	1986 £	1985 £
Wages and salaries	5,530,343	4,941,716
Social security costs	444,635	394,541
Other pension costs	224,933	175,124
	<u>£6,199,911</u>	<u>£5,511,381</u>

(a) This included remuneration paid to directors of the company of £228,780 (1985 - £207,169) - see note 5.

(b) The average number of employees in each week in the year was 563 (1985 - 537) and is broken down into the following categories:

	Number of employees 1986	1985
Operations - warehouse and drivers	202	199
Administration and clerical	<u>361</u>	<u>338</u>
	<u>563</u>	<u>537</u>

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

## 5 EMOLUMENTS OF DIRECTORS

	1986	1985
Remuneration including pension contributions	<u>£228,780</u>	<u>£207,169</u>

The emoluments, excluding pension contributions, of directors of the company are detailed as follows:

	1986	1985
Chairman	<u>£77,532</u>	<u>£70,184</u>

	Number of directors	
	1986	1985
Other directors in scale		
Not more than £5,000	4	6
£30,001 to £35,000	-	1
£35,001 to £40,000	2	1
£50,001 to £55,000	-	1
£55,001 to £60,000	1	-

Ernst &amp; Whinney

## 6 INTEREST PAYABLE AND SIMILAR CHARGES

	1986	1985
Interest on loans repayable within 5 years	<u>£3,191</u>	<u>£3,859</u>
Bank overdraft interest		

# MERCURY AIRFREIGHT HOLDINGS LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1986

## 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge based on the profit for the year comprises:

	1986 £	1985 £
UK Corporation tax payable at 40% (1985 - 45%)	482,430	470,550
Less: relief for overseas tax	38,312	39,371
	<u>444,118</u>	<u>431,180</u>
Overseas taxation	64,566	93,940
	<u>508,684</u>	<u>525,120</u>
Deferred taxation	(37,188)	(24,034)
	<u>471,496</u>	<u>501,086</u>
Adjustments relating to prior years	448	(3,045)
	<u>£471,944</u>	<u>£498,041</u>

## 8 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

In accordance with the exemption allowed by Section 258 (5) of the Companies Act 1985 the company has not presented its own profit and loss account.

£285,774 (1985 - £378,142) of the profit on ordinary activities after taxation has been dealt with in the accounts of the company.

## 9 DIVIDENDS

	1986 £	1985 £
Preference	3	3
Ordinary 'A' shares	50,000	50,000
Ordinary 'B' shares	50,000	50,000
	<u>£100,003</u>	<u>£100,003</u>

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

## 10 TANGIBLE FIXED ASSETS

	Improvements to leasehold premises £	Equipment, fittings and computer software £	Motor vehicles £	Total £
<b>GROUP</b>				
<b>Cost</b>				
At 31 March 1985	143,274	1,216,642	1,183,371	2,543,287
Exchange adjustments	-	3,537	3,277	6,814
Additions during year	17,500	353,340	299,690	670,530
	160,774	1,573,519	1,486,338	3,220,631
Disposals during year	(14,330)	(82,338)	(185,504)	(282,172)
At 31 March 1986	146,444	1,491,181	1,300,834	2,938,459
<b>Depreciation</b>				
At 31 March 1985	129,511	673,902	706,055	1,509,468
Exchange adjustments	-	2,602	1,734	4,336
Provision for year	17,399	236,616	256,809	510,824
	146,910	913,120	964,598	2,024,628
Relating to disposals	(14,330)	(80,040)	(162,182)	(256,552)
At 31 March 1986	132,580	833,080	802,416	1,768,076
<b>Net book amounts at</b>				
31 March 1986	£13,864	£658,101	£498,418	£1,170,383
31 March 1985	£13,763	£542,740	£477,316	£1,033,819

MERCURY AIRFREIGHT HOLDINGS LIMITED  
 NOTES ON THE ACCOUNTS - 31 MARCH 1986

10 TANGIBLE FIXED ASSETS (continued)

	Improvements to leasehold premises £	Equipment, fittings and computer software £	Motor vehicles £	Total £
COMPANY				
Cost				
At 31 March 1985	12,266	479,183	116,712	608,161
Additions during year	-	66,933	4,292	71,225
Group transfers	-	(9,030)	-	(9,030)
	<u>12,266</u>	<u>537,086</u>	<u>121,004</u>	<u>670,356</u>
Disposals during year	(12,266)	(6,222)	(8,697)	(27,185)
	<u>-</u>	<u>530,864</u>	<u>112,307</u>	<u>643,171</u>
At 31 March 1986				
Depreciation				
At 31 March 1985	12,266	176,374	49,214	237,854
Provision for year	-	119,379	28,318	147,697
Group transfers	-	(3,612)	-	(3,612)
	<u>12,266</u>	<u>292,141</u>	<u>77,532</u>	<u>381,939</u>
Relating to disposals	(12,266)	(4,258)	(6,372)	(22,896)
	<u>-</u>	<u>287,883</u>	<u>71,160</u>	<u>359,043</u>
At 31 March 1986				
Net book amounts at				
31 March 1986	-	£242,981	£41,147	£284,128
	<u>-</u>	<u>£302,809</u>	<u>£67,498</u>	<u>£370,307</u>
31 March 1985				

11 FIXED ASSET INVESTMENTS

	Shares in group companies £	Loans to group companies £	Total £
COMPANY			
Cost			
At 31 March 1985	536,244	481,169	1,017,413
Additions	678	-	678
New advances	-	37,475	37,475
Reclassified as current	-	(250,000)	(250,000)
	<u>536,922</u>	<u>£268,644</u>	<u>£805,566</u>
At 31 March 1986			

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

## 11 FIXED ASSET INVESTMENTS (continued)

The principal subsidiary companies at 31 March 1986, all of which are wholly owned, are:

Company	Country of incorporation and operation	Nature of business
Mercury Airfreight International Limited	England	Air freight forwarding
Mercury International Freight Limited	England	Freight forwarding
Mercury Travel Services Limited	England	Travel Agents
E. Higgs (Air Agency) Limited	England	Air freight broking
Higgs Transport Limited	England	Road haulage
Mercury Airfreight International BV	Holland	Air freight forwarding
*Mercury Airfreight International AG	Switzerland	Air freight forwarding
Mercury Airfreight International Limited Inc.	USA	Air freight forwarding

\*subsidiary of Mercury Airfreight International BV

## 12 DEBTORS

	The Group		The Company	
	1986	1985	1986	1985
	£	£	£	£
Trade debtors	11,958,502	11,073,759	-	-
Amounts owed by group companies	-	-	335,930	290,570
Taxation	-	-	-	6,277
Other debtors, prepayments and accrued income	242,932	212,506	23,978	35,823
	<u>£12,201,434</u>	<u>£11,286,265</u>	<u>£359,908</u>	<u>£332,670</u>

## 13 OTHER CREDITORS

	The Group		The Company	
	1986	1985	1986	1985
	£	£	£	£
Trade creditors	8,020,615	7,948,681	-	-
Amounts owed to group companies	-	-	283,190	450,060
Taxation payable	214,698	220,211	332	3,088
- on demand	242,873	223,884	143,653	31,689
- on 1 January 1987	61,602	64,238	-	-
Overseas taxation payable	-	-	-	-
Other creditors, accruals and deferred income	1,636,231	1,612,061	123,576	142,839
Proposed dividends	100,003	100,003	100,003	100,003
	<u>£10,276,022</u>	<u>£10,169,078</u>	<u>£650,754</u>	<u>£727,679</u>

MERCURY AIRFREIGHT HOLDINGS LIMITED  
 NOTES ON THE ACCOUNTS - 31 MARCH 1986

14 CREDITORS - amounts falling due after more than one year

	The Group		The Company	
	1986	1985	1986	1985
	£	£	£	£
Taxation payable on 1 July 1987	201,300	201,000	-	-
	<u>£201,300</u>	<u>£201,000</u>	<u>-</u>	<u>-</u>

15 DEFERRED TAXATION

	The Group		The Company	
	1986	1985	1986	1985
Accelerated capital allowances	<u>£173,702</u>	<u>£210,890</u>	<u>£62,330</u>	<u>£96,293</u>

Provision has been made at 35%.

16 CALLED-UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1986	1985	1986	1985
	£	£	£	£
3.5% Redeemable preference shares of £1 each	1,000	1,000	100	100
250,000 'A' ordinary shares of £1 each	250,000	250,000	250,000	250,000
250,000 'B' ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>£501,000</u>	<u>£501,000</u>	<u>£500,100</u>	<u>£500,100</u>

The preference shares are redeemable at the company's option with no fixed date for redemption and no premium arising thereon.



MERCURY AIRFREIGHT HOLDINGS LIMITED  
 NOTES ON THE ACCOUNTS - 31 MARCH 1986

17 PROFIT AND LOSS ACCOUNT

	The Group		The Company	
	1986 £	1985 £	1986 £	1985 £
At 31 March 1985	1,805,004	1,390,385	559,579	281,440
Exchange adjustment	34,857	(5,148)	-	-
Retained profit for year	<u>419,091</u>	<u>419,767</u>	<u>185,771</u>	<u>278,139</u>
At 31 March 1986	<u>£2,257,952</u>	<u>£1,805,004</u>	<u>£745,350</u>	<u>£559,579</u>

18 COMMITMENTS

(a) Capital

At 31 March 1986 the following future capital expenditure had been authorised but not provided for in the accounts:

	The Group		The Company	
	1986	1985	1986	1985
Contracted	<u>£54,883</u>	<u>£79,277</u>	<u>£20,275</u>	<u>£25,000</u>

(b) Financial

At 31 March 1986 the annual commitment, which is subject to periodic review, under non-cancellable operating leases was as follows:

	Group £	Company £
Land and buildings		
Leases expiring:		
Within one year	18,912	18,674
Within two to five years	21,600	-
Thereafter	<u>333,330</u>	<u>183,080</u>
	<u>£373,842</u>	<u>£201,754</u>

## MERCURY AIRFREIGHT HOLDINGS LIMITED

## NOTES ON THE ACCOUNTS - 31 MARCH 1986

## 19 GROUP INDEBTEDNESS

The aggregate amounts of net indebtedness owing to and from subsidiary companies were:

	1986 £	1985 £
Loans to subsidiary companies	268,644	481,169
Amounts due from subsidiary companies	335,930	290,570
Amounts due to subsidiary companies	(283,190)	(450,060)
	<u>£321,384</u>	<u>£321,679</u>

## 20 DIRECTORS' INTEREST IN CONTRACTS

Mr P D Stephenson by virtue of his shareholdings in Davies Turner & Co. Limited, is interested in a contract under which introductory commission is paid by a subsidiary company to Davies Turner & Co. Limited.

The amount of this commission for the year ended 31 March 1986 was £312,029 (1985 - £300,303).

## 21 CONTINGENT LIABILITY

The company has given a guarantee to its bankers in respect of indebtedness of subsidiary companies.

The company's bankers have a floating charge on the assets of the company in respect of indebtedness of the company and of the group and guarantees given principally to H M Customs & Excise in respect of value added tax and duty deferment.

## 22 PENSION COMMITMENT

Pension benefits are funded over the employee's periods of service by payment to a pension fund independent of the group. The contributions are based on the recommendations of the actuaries which are determined following actuarial valuation of the fund.

The most recent triennial valuation of the fund at 1 April 1984 indicated that the solvency position of the fund was satisfactory.