

MERCURY AIRFREIGHT HOLDINGS LIMITED

Annual Report and Financial Statements

for the year ended

31 December 2001



MERCURY AIRFREIGHT HOLDINGS LIMITED

Directors

Exel Secretarial Services Limited
Exel Nominee No 2 Limited

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2001.

1 Principal activities

The Company did not trade during the year under review.

2 Directors

The Directors at the date of this report are shown above. There were no changes in the Board during the year.

3 Directors' interests

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 interests in the shares of the Company or of Exel plc, the ultimate parent company.

4 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 disclosed 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and 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.

MERCURY AIRFREIGHT HOLDINGS LIMITED

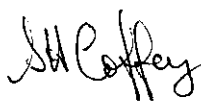
Directors' Report (continued)

5 Auditors

A special resolution to exclude the Company from the requirement of audited financial statements and from the obligation to appoint auditors will be submitted to the annual general meeting as follows:

"That in accordance with the provisions of section S250 of the Companies Act 1985 no auditors be appointed by the Company in that it is a dormant company and meets the other requirements of the aforesaid section in this regard."

By order of the Board



Authorised Signatory
Exel Secretarial Services Limited
Secretary

S. H. COFFEY
Registered Office: Ocean House
The Ring
Bracknell
Berkshire
RG12 1AN

1st October 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERCURY AIRFREIGHT HOLDINGS LIMITED

We have audited the Company's financial statements for the year ended 31 December 2001 which comprise the Balance Sheet and the related notes 1 to 4. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 2001 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

2 OCTOBER 2002

MERCURY AIRFREIGHT HOLDINGS LIMITED

Balance Sheet at 31 December 2001

	Note	31.12.2001 £	31.12.2000 £
CURRENT ASSETS			
Debtors : Amounts owed by immediate parent undertaking		500,100	500,100
Net current assets		500,100	500,100
 CAPITAL AND RESERVES			
Called up share capital	3	500,000	500,000
Capital redemption reserve		100	100
Total equity shareholders' funds		500,100	500,100

Approved by the Board on *2nd October* 2002 and signed on its behalf.



Authorised Signatory
Exel Nominee No 2 Limited
Director

D.G. EVANS

MERCURY AIRFREIGHT HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2001

1 ACCOUNTING CONVENTION

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

2 PROFIT AND LOSS ACCOUNT

The Company did not trade during the year and accordingly it made neither a profit nor a loss. No profit and loss account has therefore been prepared. In addition there are no recognised gains or losses relating to the year.

3 SHARE CAPITAL

	Year ended 31.12.2001 £	Year ended 31.12.2000 £
Authorised		
3½% redeemable preference shares of £1 each	1,000	1,000
'A' ordinary shares of £1 each	250,000	250,000
'B' ordinary shares of £1 each	250,000	250,000
	501,000	501,000
Allotted, called up and fully paid		
3½% redeemable preference shares of £1 each	-	-
'A' ordinary shares of £1 each	250,000	250,000
'B' ordinary shares of £1 each	250,000	250,000
	500,000	500,000

The class A and class B ordinary shares have identical rights and rank pari passu in all respects. The 3½% redeemable preference shares carry no votes at meetings, unless the business of the meeting includes a resolution for the winding up of the Company or reducing its share capital, in which event each holder is entitled to one vote. On a winding up of the Company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share plus any accrued dividend.

4 ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Ocean Group Investments 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.