

Mercury Airfreight Holdings Limited

Registered No. 1304033

DIRECTORS

C H Thomas
M J Cartwright

SECRETARY

M J Cartwright

AUDITORS

Ernst & Young
Apex Plaza
Reading
Berkshire
RG1 1YE

BANKERS

Barclays Bank plc
131 Edgware Road
London
W2 2UT

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

REGISTERED OFFICE

Mills Road
Quarry Wood
Aylesford
Kent
ME20 7WZ

ERNST & YOUNG



Mercury Airfreight Holdings Limited

DIRECTOR'S REPORT

The directors present their report and the audited accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £2,500,000 (1996: £2,250,000).

A dividend of £2,500,000 was paid during the year (1996: £2,250,000).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The Company is an intermediate holding company whose principal activity is the provision of support services to other group companies involved in freight forwarding and transportation.

DIRECTORS AND THEIR INTERESTS

The directors of the company, during the year were as follows:

C H Thomas
M J Cartwright

The directors are both directors of the ultimate holding company in whose directors' report their interests are disclosed.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

By order of the board



Secretary

20 April 1998

Mills Road
Quarrywood
Aylesford
Kent
ME20 7WZ

Mercury Airfreight Holdings Limited

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies Act. They 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.

REPORT OF THE AUDITORS

To the members of Mercury Airfreight Holdings Limited

We have audited the accounts on pages 5 to 8 which have been prepared under the historical cost convention and on the basis of the accounting policy set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

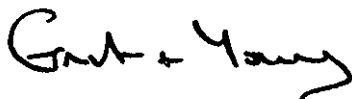
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Reading
20 April 1998

Mercury Airfreight Holdings Limited

PROFIT AND LOSS

for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
OTHER INCOME			
Continuing operations	2	2,500,000	2,250,000
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		2,500,000	2,250,000
Dividends	3	2,500,000	2,250,000
RESULTS FOR THE YEAR		Nil	Nil

RECOGNISED GAINS & LOSSES

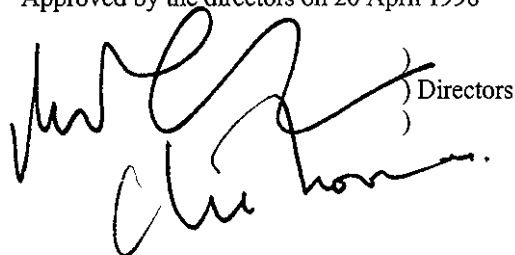
The company has no other recognised gains or losses other than the results for the year ended 31 December 1997 of £Nil and for the year ended 31 December 1996 of £Nil.

Mercury Airfreight Holdings Limited

BALANCE SHEET at 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
FIXED ASSETS			
Investments	4	580,662	580,622
		<hr/>	<hr/>
CREDITORS: amounts falling due within one year	5	80,562	80,562
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(80,562)	(80,562)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		500,100	500,100
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	6	500,000	500,000
Capital redemption reserve		100	100
Profit and loss account		-	-
		<hr/>	<hr/>
		500,100	500,100
		<hr/>	<hr/>

Approved by the directors on 20 April 1998

 Directors

Mercury Airfreight Holdings Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1 ACCOUNTING POLICY

Accounting convention

The accounts are prepared under the historical cost convention, in accordance with applicable accounting standards.

2 OTHER INCOME

Other income represents dividend income received from subsidiary undertakings.

3 DIVIDENDS

	1997 £	1996 £
Ordinary dividend @ £5.00 per share - paid (1996: £4.50)	2,500,000	2,250,000

4 INVESTMENTS

	1997 £	1996 £
Historical cost	580,662	580,662

The subsidiaries at 31 December 1997 which were all wholly owned were:

<i>Company</i>	<i>Country of registration and operation</i>	<i>Nature of business</i>
Mercury Airfreight International Limited	England	Dormant
Mercury VMD Limited	England	Bulk mail distribution
Higgs International Limited	England	Airfreight of UK newspapers
Higgs Transport Limited	England	Dormant
Highway Presse Internationale Limited	England	Dormant
Highway Presse Internationale EURL	France	Road transportation
Higgs Air Espana SA	Spain	Dormant

Group accounts have not been prepared as the company is a wholly owned subsidiary of Mercury Holdings plc which is incorporated in the United Kingdom.

In the opinion of the directors, the aggregate value of the assets of the company, consisting of shares in the above subsidiaries is not less than the aggregate amount at which those assets are included in the balance sheet.

Mercury Airfreight Holdings Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

5 CREDITORS: amounts falling due within one year

	1997 £	1996 £
Amount owed to subsidiary undertaking	20,100	20,100
Amounts owed to parent company	60,438	60,438
Preference dividend payable	24	24
	<u>80,562</u>	<u>80,562</u>

6 SHARE CAPITAL

	1997 No	Authorised 1996 No	1997 £	Issued and fully paid 1996 £
3½% redeemable preference shares of £1 each	1,000	1,000	-	-
'A' ordinary shares of £1 each	250,000	250,000	250,000	250,000
'B' ordinary shares of £1 each	250,000	250,000	250,000	250,000
	<u>501,000</u>	<u>501,000</u>	<u>500,000</u>	<u>500,000</u>

7 CAPITAL COMMITMENTS

There are no significant capital commitments at 31 December 1997.

8 CONTINGENT LIABILITY

An undertaking exists between the company and fellow group companies whereby each company is liable against failure by the other companies to meet obligations in respect of bank borrowings and guarantees.

9 ULTIMATE PARENT COMPANY

The ultimate parent company of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Mercury Holdings plc, incorporated in England and Wales.

Copies of accounts can be obtained from the secretary.