

1.

DIRECTORS' REPORT AND ACCOUNTS

MERCURY AIRFREIGHT HOLDINGS LIMITED

No. 1304033

31 December 2000

Directors

**Exel Nominee No 2 Limited
Exel Secretarial Services Limited**

Secretary

Exel Secretarial Services Limited



Registered Office

Ocean House, The Ring, Bracknell, Berkshire RG12 1AN

Mercury Airfreight Holdings Limited

Director's report

The Directors submit their report and the accounts for the year ended 31 December 2000.

Principal activity and business review

During the financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during the year, the Company made neither a profit nor a loss. The Directors do not recommend the payment of a dividend (1999: £6,280,000).

The Directors are not aware of any likely future developments for the Company.

Directors' responsibilities

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 financial statements comply with the Companies Act 1985. 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.

Directors and their Interests

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

Exel Nominee No 2 Limited	(appointed on 15 December 2000)
Exel Secretarial Services Limited	(appointed on 18 August 2000)
B L Goldsmith	(resigned on 31 January 2000)
D E Russell	(appointed on 31 January 2000)
D E Russell	(resigned on 18 August 2000)
K C Walls	(resigned on 15 December 2000)

No Director had any interest in any shares or debentures in any companies of the Group.

Mercury Airfreight Holdings Limited

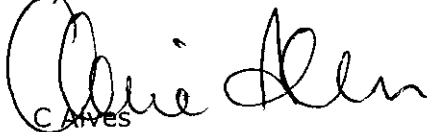
Director's report (continued)

Auditors

On 17 July 2000, PricewaterhouseCoopers resigned as auditor of the Company and confirmed, in accordance with s394 of the Companies Act 1985, that there were no circumstances connected with their resignation that should be brought to the notice of the shareholders and creditors. Ernst & Young were appointed as auditor of the Company in their place and have indicated their willingness to continue in office.

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



C. Arves
for and on behalf of
Exel Secretarial Services Limited
18 October 2001

Mercury Airfreight Holdings Limited

Profit and loss account for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Dividends from subsidiary undertakings		-	7,100,000
Profit on ordinary activities before taxation		-	7,100,000
Tax on profit on ordinary activities	2	-	(820,000)
Profit on ordinary activities after taxation	4	-	6,280,000
Dividends paid	4	-	(6,280,000)
Retained result for the year		-	-

There are no recognised gains or losses other than the result for the year.

The result for the year derives from discontinued operations.

The notes on pages 6 to 8 form part of these accounts.

Mercury Airfreight Holdings Limited

Balance sheet as at 31 December 2000

	<i>Note</i>	2000 £	1999 £
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	4	100	100
Total equity shareholders' funds		500,100	500,100

Approved by the Board of Directors on 18 October 2001 and signed on its behalf by:



D G Evans
for and on behalf of
Exel Nominee No 2 Limited

The notes on pages 6 to 8 form part of these accounts.

Mercury Airfreight Holdings Limited

Notes to the accounts for the year ended 31 December 2000 (continued)

Accounting policies

The accounting policies adopted by the Company are set out below and are consistent with those of the previous year.

(1) Accounting convention

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

(2) Taxation

The ultimate parent undertaking has undertaken to discharge the Company's liability to UK corporation tax.

Mercury Airfreight Holdings Limited

Notes to the accounts for the year ended 31 December 2000 (continued)

1 Directors

The Corporate Directors receive no emoluments in their capacity as Directors of Mercury Airfreight Holdings Limited.

The company has no employees (1999: Nil)

The auditors' remuneration is borne by the ultimate parent undertaking.

2 Tax on profit on ordinary activities

	2000 £	1999 £
Advance corporation tax on dividends received	-	820,000

The ultimate parent undertaking has undertaken to discharge the Company's liability to UK corporation tax.

3 Called up share capital

	2000		1999	
	Number of shares	£	Number of shares	£
Authorised				
3½% redeemable preference shares of £1 each	1,000	1,000	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
	501,000	501,000	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	250,000	250,000
'B' ordinary shares of £1 each	250,000	250,000	250,000	250,000
	500,000	500,000	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.

Mercury Airfreight Holdings Limited

Notes to the accounts for the year ended 31 December 2000 (continued)

4 Movements on shareholders' funds

	Share capital £	Capital redemption reserve £	Profit and Loss Account £	2000 Total £	1999 Total £
At 1 January	500,000	100	-	500,100	500,100
Profit for the year	-	-	-	-	6,280,000
Dividend	-	-	-	-	(6,280,000)
At 31 December	500,000	100	-	500,100	500,100

5 Parent undertakings

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 accounts are prepared. Copies of the group accounts are available from the Secretary at Ocean House, The Ring, Bracknell, Berkshire RG12 1AN.

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.

6 Statement of cash flows

The accounts of Exel plc for the year ended 31 December 2000 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS 1 whereby it is not required to publish its own statement of cash flows.

Auditors report to the members of Mercury Airfreight Holdings Limited

We have audited the accounts on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 2, the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

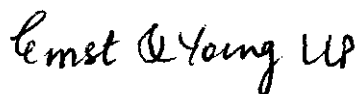
Basis of opinion

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 affairs of the Company as at 31 December 2000 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
18 October 2001