

DIRECTORS' REPORT AND ACCOUNTS

MERCURY AIRFREIGHT HOLDINGS LIMITED

No. 1304033

31 December 1998

Directors

M.J. Cartwright

B.L. Goldsmith

Secretary

K.C. Walls

Registered Office

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



# MERCURY AIRFREIGHT HOLDINGS LIMITED

## Directors' Report

The Directors submit their report and the accounts for the year ended 31 December 1998.

### Results and Dividends

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 (1997: £2,500,000).

### Principal Activity and Business Review

The principal activity of the Company is that of an investment holding company.

The Company was acquired by a subsidiary of Ocean Group plc on 4 June 1998.

In the opinion of the Directors the annexed accounts 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 accounts of Ocean Group plc, the ultimate parent undertaking.

### 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 period. 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Year 2000

The year 2000 issue relates to the possible inability of computer systems to recognise the year 2000. The Company's ultimate parent company, Ocean, has established a programme of risk analysis and monitoring of this issue across all of its businesses and further details of this programme can be found in its annual report and accounts.

The Company participates in this programme. The Directors do not believe the costs to be incurred by the Company in dealing with the year 2000 issue will be significant.

### Introduction of the Euro

As part of a group-wide initiative by its ultimate parent, Ocean, a review of the implications of the introduction of the Euro was carried out. It was concluded that, in the short term, there is no significant impact on the company, and consequently limited external costs have been incurred.

# MERCURY AIRFREIGHT HOLDINGS LIMITED

## Directors' Report (continued)

### Directors and their Interests

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

M.J. Cartwright  
B.L. Goldsmith (appointed on 30 December 1998)  
C.H. Thomas (resigned on 30 December 1998)

The interests of the Directors in office at the end of the year and their families in the ordinary shares of Ocean Group plc, the Company's ultimate holding company, were as shown in the report and accounts of Mercury Holdings plc, the immediate holding company.

The following changes have taken place since 31 December 1998:

M.J. Cartwright (resigned on 26 February 1999)  
K.C. Walls (appointed on 26 February 1999)

The Company's Register of Directors' Interests, which is open to inspection at the registered office, contains full details of Directors shareholdings and share options.

Except as above no Director had any interest in any shares or debentures in any companies of the Group.

### Auditors

Following the acquisition of the Company by Ocean Group plc, Ernst and Young resigned as auditors and the Directors appointed PricewaterhouseCoopers to fill the vacancy.

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



K.C. Walls  
Secretary  
18 October 1999

**MERCURY AIRFREIGHT HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	1998 £	1997 £
Notes		
Dividends received, being the result on ordinary activities before and after taxation	-	2,500,000
Dividends paid	-	(2,500,000)
1 RETAINED RESULT FOR THE YEAR	<u>-</u>	<u>-</u>

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

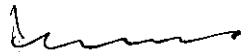
The notes on pages 6 to 8 form part of these financial statements.

**MERCURY AIRFREIGHT HOLDINGS LIMITED**  
**BALANCE SHEET**  
as at 31 December 1998

Notes	1998 £	1997 £
<b>FIXED ASSETS</b>		
2 Investments in subsidiary undertakings	<u>580,662</u>	<u>580,662</u>
<b>CURRENT LIABILITIES</b>		
3 Creditors: amounts falling due within one year	<u>(80,562)</u>	<u>(80,562)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(80,562)</u>	<u>(80,562)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><u>500,100</u></u>	<u><u>500,100</u></u>
4 Called up share capital	500,000	500,000
Capital redemption reserve	100	100
5 <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	<u><u>500,100</u></u>	<u><u>500,100</u></u>

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

On behalf of the Board



K C Walls  
Director

Date: 18 October 1999

**MERCURY AIRFREIGHT HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**

For the year ended 31 December 1998

**ACCOUNTING POLICIES**

The accounting policies adopted by the Company are set out below.

**(a) ACCOUNTING CONVENTION**

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

The Directors have concluded that it is appropriate to prepare the accounts on the going concern basis because their parent company, Mercury Holdings plc, has given written undertakings that it will continue to support the Company to allow it to meet its liabilities as they fall due.

**(b) TAXATION**

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

**(c) INVESTMENTS**

Fixed asset investments are stated at cost less provision for any diminution in value.

**(c) BASIS OF PREPARATION**

These financial statements present information about the Company as an individual undertaking and not about its group. The Company has taken advantage of the exemption from preparing group accounts under the provisions of S228 of the Companies Act.

**MERCURY AIRFREIGHT HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**1 RESULT FOR THE YEAR**

The auditors' remuneration for the year was borne by the ultimate parent undertaking.

There were no employees of the Company during the year (1997 - Nil).

The Directors of the Company are employees of Mercury Holdings plc., and receive their remuneration in that capacity.

**2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	Shares £
<b>COST AND NET BOOK VALUE</b>	
At 1 January 1998 and at 31 December 1998	<u>580,662</u>

The investments in subsidiary undertakings are unlisted.

Subsidiary undertakings are shown in note 6. In the opinion of the Directors, the aggregate value of the investments in subsidiary undertakings comprising shares and amounts owing, is not less than the aggregate of the amounts at which these investments are stated in the balance sheet

**3 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Amount owed to subsidiary undertaking	20,100	20,100
Amounts owed to parent company	60,438	60,438
Dividends payable	24	24
	<u>80,562</u>	<u>80,562</u>

**4 CALLED UP SHARE CAPITAL**

	Authorised		Issued and fully paid	
	1998 No	1997 No	1998 £	1997 £
3 1/2 % 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>

The class A and class B ordinary shares have identical rights and rank pari passu in all respects. The 3 1/2 % 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 (continued)**

**5 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Called up share capital	Capital redemption reserve	Total 1998	Total 1997
	£	£	£	£
At 1 January	500,000	100	500,100	500,100
Profit for the financial year	-	-	-	2,500,000
Dividends paid	-	-	-	(2,500,000)
At 31 December	<u>500,000</u>	<u>100</u>	<u>500,100</u>	<u>500,100</u>

There was no movement on shareholders' funds for the year.

**6 SUBSIDIARY UNDERTAKINGS**

The principal subsidiary undertakings at 31 December 1998 are shown below.

<i>Company</i>	Principal Activity	Country of registration and operation	Percentage of ordinary share capital held
Mercury International Limited (formerly Mercury VMD Limited)	Bulk mail distribution	England	100%
Higgs International Limited	Airfreight of UK Newspapers	England	100%

**7 STATEMENT OF CASH FLOWS**

The financial statements of Ocean Group plc for the year ended 31 December 1998 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS1 whereby it is not required to publish its own statement of cash flows.

**8 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption available under FRS8 from disclosure of transactions (but not balances) with entities that are part of the Ocean Group, or investees of the Ocean Group.

**9 ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent undertaking is Mercury Holdings plc. The Company's ultimate parent undertaking is Ocean Group plc which is registered in England. This is the only group of which this Company is a member for which group accounts are prepared. Copies of the above group accounts are available from the Secretary of the Company at Ocean House, The Ring, Bracknell, Berkshire RG12 1AN.

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

We have audited the financial statements 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

The directors are responsible for preparing the Annual Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### 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 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 the Company's affairs at 31 December 1998 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London  
18 October 1999