

DIRECTORS' REPORT AND ACCOUNTS

MERCURY AIRFREIGHT HOLDINGS LIMITED

No. 1304033

31 December 1999

Directors

**B L Goldsmith
K C Walls**

Secretary

K C Walls



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 1999.

Results and dividends

	£
Profit for the financial year	6,280,000
Interim dividends paid	(6,280,000)

Principal activity and business review

The company did not trade during the year. It sold its investments to affiliated companies on 16 December 1999. The Directors are not aware of any likely future developments for the Company.

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 ("Ocean"), 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 related to the possible inability of computer systems to recognise the year 2000. The Company's ultimate parent company, Ocean Group plc, established a programme of risk analysis and monitoring of this problem across all of its subsidiaries. The Company did not experience any significant impact on its ability to conduct business or operate its computer systems as a result of the move into 2000. The Company did not incur any costs related to the year 2000 programme.

Introduction of the euro

As part of a group wide initiative by its ultimate parent, Ocean Group plc, 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's systems, and consequently limited external costs have been incurred.

Mercury Airfreight Holdings Limited

Director's report (continued)

Directors and their Interests

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

M J Cartwright	(resigned on 28 February 1999)
B L Goldsmith	
K C Walls	(appointed on 26 February 1999)

The following changes have taken place since 31 December 1999:

B L Goldsmith	(resigned on 31 January 2000)
D E Russell	(appointed on 31 January 2000)

The undermentioned Director held options under Ocean's share Option Schemes:

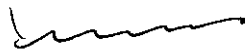
Number of options during the year				
	1 January	Granted	Exercised	31 December
B L Goldsmith	12,762	6,339	-	19,101

Mr K C Walls is a Director of Ocean Group Investments Limited, the immediate holding company, and his interests are as shown in the report and accounts of that company.

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.

By order of the Board



K.C. Walls
Secretary

28 April 2000

Mercury Airfreight Holdings Limited

Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
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	6	6,280,000	-
Dividends paid	6	(6,280,000)	-
Retained result for the year		-	-

There are no recognised gains or losses other than the result for the year.
The results for the year derive from discontinued operations.

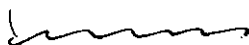
The notes on pages 6 to 9 form part of these financial statements.

Mercury Airfreight Holdings Limited

Balance sheet as at 31 December 1999

	<i>Note</i>	1999 £	1998 £
Net assets employed			
Fixed assets			
Investments in subsidiary undertakings	3	-	580,662
Current assets			
Debtors: amounts owed by immediate parent undertaking		500,100	-
Creditors: amounts falling due within one year	4	-	(80,562)
Net current assets/(liabilities)		500,100	(80,562)
Total assets less current liabilities		500,100	500,100
Capital and reserves			
Called up share capital	5	500,000	500,000
Capital redemption reserve	6	100	100
Total equity shareholders' funds		500,100	500,100

Approved by the Board of Directors on 28 April 2000 and signed on its behalf by:



K C Walls
Director

The notes on pages 6 to 9 form part of these financial statements.

Mercury Airfreight Holdings Limited

Notes to the financial statements for the year ended 31 December 1999

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

(2) Taxation

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

(3) Fixed asset investments

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

Mercury Airfreight Holdings Limited

Notes to the financial statements for the year ended 31 December 1999 (continued)

1 Directors

There were no employees of the Company during the year (1998: Nil)

The Directors of the Company are employees of other group undertakings and receive their remuneration in that capacity.

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

2 Tax on profit on ordinary activities

	1999 £	1998 £
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 Investments in subsidiary undertakings

	Shares £
Cost and net book value	
At 1 January 1999	580,662
Disposals	(580,662)
At 31 December 1999	-

4 Creditors: amounts falling due within one year

	1999 £	1998 £
Amounts owed to subsidiary undertaking	-	20,100
Amounts owed to parent undertaking	-	60,438
Dividends payable	-	24
	-	80,562

Mercury Airfreight Holdings Limited

Notes to the financial statements for the year ended 31 December 1999 (continued)

5 Called up share capital

	Number of shares	1999 £	1998 £
Authorised			
3½ % redeemable preference shares of £1 each	1,000	1,000	1,000
'A' ordinary shares of £1 each	250,000	250,000	250,000
'B' ordinary shares of £1 each	250,000	250,000	250,000
	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
'B' ordinary shares of £1 each	250,000	250,000	250,000
	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.

6 Movements on shareholders' funds

	Share capital £	Capital redemption reserve £	Profit and Loss Account £	1999 Total £	1998 Total £
Cost					
At 1 January	500,000	100	-	500,100	500,100
Profit for the year	-	-	6,280,000	6,280,000	-
Dividend	-	-	(6,280,000)	(6,280,000)	-
At 31 December	500,000	100	-	500,100	500,100

7 Parent undertakings

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 the Company is a member for which group financial statements are prepared. Copies of the above group financial statements are available from the Secretary at Ocean House, The Ring, Bracknell, Berkshire RG12 1AN.

Mercury Airfreight Holdings Limited**Notes to the financial statements
for the year ended 31 December 1999 (continued)****8 Statement of cash flows**

The financial statements of Ocean Group plc for the year ended 31 December 1999 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 financial statements on pages 4 to 9 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. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom 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 United Kingdom 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 audit 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Windsor



28 April 2000