

REGISTRAR'S COPY

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2007
FOR
ACTIVAIR (UK) LTD**

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COMPANY INFORMATION
for the Year Ended 31 May 2007

DIRECTORS:

H M Evans
C Thompson
P Barrett
M J Evans

SECRETARY:

S Lai

REGISTERED OFFICE:

Unit 1
Action Court
Ashford Road
Ashford
Middlesex
TW15 1XS

REGISTERED NUMBER:

1369940 (England and Wales)

AUDITORS

Oury Clark Chartered Accountants
Registered Auditors
58 Herschel Street
Slough
Berkshire
SL1 1PG

SOLICITORS

Oury Clark Solicitors
10 John Street
London
WC1 N2EB

ACTIVAIR (UK) LTD

REPORT OF THE DIRECTORS for the Year Ended 31 May 2007

The directors present their report with the financial statements of the company for the year ended 31 May 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of international air freight forwarders

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

During the year the performance of the company has remained strong. Although the UK turnover decreased by £1.7 million to £26.1 million for the period ending 31 May 2007, profit before tax has increased 721% from £100.8k to £798.5k.

Direct costs have decreased favourably during the year, resulting in an encouraging increase to gross profit % from 25.8% in 2006 to 30% in 2007. With continued controls in the company's overheads, the resultant profit before tax came in at £798.5k.

The company continues to provide services in air, sea and road at the forefront of the freight forwarding industry. Continued investment throughout the year has ensured that the company can deliver quality services to our customers.

The business continues to deliver a reasonable performance in what is a competitive market place. However, by continuing to focus on its strengths - superior service to our customers, it is anticipated that growth will continue for the foreseeable future.

The company monitors its performance through the use of Key Performance Indicators (KPI's). A number of Key Performance Indicators are employed - GP%, NP%, turnover/yield ratio together with volume throughput. Monthly management accounts are utilised to monitor these (KPI's) and these are reviewed in comparison to prior year periods and budgets. Any adverse trends are identified at an early stage and investigated.

The directors of the company continually monitor the risks that pose the greatest threat to the company. These risks include:

Sales risk (analysis of market trends and key regions of growth throughout the world)

Staff risk (the risk to the business of recruiting and retaining the right staff)

Competition risk (the risk of competitors entering or eroding the market place)

The directors have not identified any uncertainties that might effect the operations of the business in the future.

DIVIDENDS

No interim dividend was paid during the year. The directors recommend a final dividend of £10 per share.

The total distribution of dividends for the year ended 31 May 2007 will be £200,000.

FIXED ASSETS

Movements in fixed assets are disclosed in note seven to the Financial Statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2006 to the date of this report:

H M Evans
C Thompson
P Barrett
M J Evans

POTENTIAL IMPACT OF THE EURO

The potential impact of the changeover to the euro on the financial statements is not considered to be material.

SUPPLIER PAYMENT POLICY

Terms and conditions of payments to all suppliers are agreed on an individual basis. During the year ended 31 May 2007 the trade creditors payment period was on average 51 days (2006 - 51 days).

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2007**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Oury Clark Chartered Accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



S Lai - Secretary

12 October 2007

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ACTIVAIR (UK) LTD**

We have audited the financial statements of Activair (UK) Ltd for the year ended 31 May 2007 on pages five to twelve. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.



Oury Clark Chartered Accountants
Registered Auditors
58 Herschel Street
Slough
Berkshire
SL1 1PG

12 October 2007

ACTIVAIR (UK) LTD

**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 May 2007**

	Notes	31 5 07 £	£	31 5 06 £	£
TURNOVER	2		26,094,882		27,807,124
Cost of sales			18,254,961		20,632,786
GROSS PROFIT			7,839,921		7,174,338
Distribution costs		96,292		100,186	
Administrative expenses		6,960,849		6,995,131	
			7,057,141		7,095,317
			782,780		79,021
Other operating income			55,998		58,196
OPERATING PROFIT	4		838,778		137,217
Interest receivable and similar income			94		112
			838,872		137,329
Interest payable and similar charges	5		40,417		36,537
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			798,455		100,792
Tax on profit on ordinary activities	6		272,026		24,541
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			526,429		76,251

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

ACTIVAIR (UK) LTD

BALANCE SHEET
31 May 2007

	Notes	31 5 07 £	£	31.5 06 £	£
FIXED ASSETS					
Tangible assets	8		452,401		545,602
CURRENT ASSETS					
Debtors	9	3,442,793		5,110,076	
Cash at bank and in hand		1,206,848		175,089	
		<u>4,649,641</u>		<u>5,285,165</u>	
CREDITORS					
Amounts falling due within one year	10	4,058,249		5,083,101	
		<u>4,058,249</u>		<u>5,083,101</u>	
NET CURRENT ASSETS			591,392		202,064
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,043,793</u>		<u>747,666</u>
CREDITORS					
Amounts falling due after more than one year	11		33,664		63,966
			<u>33,664</u>		<u>63,966</u>
NET ASSETS			<u>1,010,129</u>		<u>683,700</u>
CAPITAL AND RESERVES					
Called up share capital	13		20,000		20,000
Profit and loss account	14		990,129		663,700
			<u>1,010,129</u>		<u>683,700</u>
SHAREHOLDERS' FUNDS	18		<u>1,010,129</u>		<u>683,700</u>

The financial statements were approved by the Board of Directors on 12 October 2007 and were signed on its behalf by



M J Evans - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2007

1 ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter

Short leasehold	- over remaining term of lease
Plant and machinery	- 20% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 20% on cost

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Cash flow statement exemption

Exemption has been taken from preparing a cash flow statement on the grounds that the company's cash flows are included in the cash flow statement of its ultimate parent company, Activair Plc.

Related party disclosures

The company is, as part of the Activair Plc group, exempt from the inter-company disclosure requirements of FRS 8.

Deferred taxation

FRS 19 "Deferred tax" requires deferred tax to be provided on all material timing differences, arising from the different treatment for accounts and tax purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that the tax will arise.

Deferred taxation is not provided in respect of timing differences arising from the revaluation of fixed assets unless it is unlikely that the gain will not be rolled over.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2007

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

The directors have not complied with either SSAP25 or CA85 (Sch 4 para 55) as regards the disclosure of segmental information. The company carries on three classes of business, being that of airfreight, seafreight and road freight forwarding. Geographically the company can be divided into four major sectors, the United Kingdom, North America, Far East and Oceania. The nature of the trade of the company is such that the separation of turnover, profit and net assets by geographical area would be difficult, time consuming and expensive and provide little additional information to users of the financial statements.

In addition the directors are of the opinion that divulgence of the geographical split of the company's operations to competitors could be prejudicial to the company.

3 STAFF COSTS

	31 5 07	31 5 06
	£	£
Wages and salaries	4,263,592	4,178,815
Social security costs	9,435	9,930
Other pension costs	54,940	43,308
	<u>4,327,967</u>	<u>4,232,053</u>

The average monthly number of employees during the year was as follows

	31 5 07	31 5 06
Sales and Administration	<u>146</u>	<u>146</u>

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	31 5 07	31 5 06
	£	£
Hire of plant and machinery	242,596	273,830
Depreciation - owned assets	137,069	133,695
Depreciation - assets on hire purchase contracts	33,800	19,618
Profit on disposal of fixed assets	(11,867)	(17,379)
Auditors' remuneration	19,816	24,973
Foreign exchange differences	(50,390)	(16,178)
Operating lease rent paid	<u>558,080</u>	<u>558,080</u>
Directors' emoluments	89,889	92,369
Directors' pension contributions to money purchase schemes	<u>2,520</u>	<u>2,400</u>

The number of directors to whom retirement benefits were accruing was as follows

	1	1
Money purchase schemes	<u>1</u>	<u>1</u>

In addition to Auditor's remuneration disclosed above, £9,600 (2006- £9,343) was charged for non-audit services

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2007

5 INTEREST PAYABLE AND SIMILAR CHARGES

	31 5 07	31 5 06
	£	£
Bank interest	33,184	27,187
Hire purchase	7,233	9,350
	<u>40,417</u>	<u>36,537</u>

6 TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	31 5 07	31 5 06
	£	£
Current tax		
UK corporation tax	261,519	34,643
Tax (over)/underprovision	10,507	(10,102)
	<u>272,026</u>	<u>24,541</u>

UK corporation tax has been charged at 30%

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	31 5 07	31 5 06
	£	£
Profit on ordinary activities before tax	798,455	100,792
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	239,537	30,238
Effects of		
Depreciation in excess of capital allowances	14,465	1,211
Income disallowed	(4,910)	(5,214)
Expenses disallowed	12,427	8,934
Marginal relief	-	(526)
Tax overprovision	-	(10,102)
Tax underprovision	10,507	-
Current tax charge	<u>272,026</u>	<u>24,541</u>

7 DIVIDENDS

	31 5 07	31 5 06
	£	£
Ordinary shares of £1 each		
Final	<u>200,000</u>	<u>200,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2007

8 TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 June 2006	168,375	294,870	241,702	577,876	1,282,823
Additions	4,408	21,863	500	51,579	78,350
Disposals	-	-	(23,929)	(911)	(24,840)
At 31 May 2007	172,783	316,733	218,273	628,544	1,336,333
DEPRECIATION					
At 1 June 2006	58,656	183,750	145,064	349,750	737,220
Charge for year	12,970	41,694	36,418	79,787	170,869
Eliminated on disposal	-	-	(23,929)	(228)	(24,157)
At 31 May 2007	71,626	225,444	157,553	429,309	883,932
NET BOOK VALUE					
At 31 May 2007	101,157	91,289	60,720	199,235	452,401
At 31 May 2006	109,719	111,120	96,638	228,126	545,603

Fixed assets, included in the above, which are held under hire purchase contracts are as follows

	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 June 2006	99,712	208,126	64,954	372,792
Additions	16,406	-	-	16,406
Transfer to ownership	(80,605)	(138,711)	(21,577)	(240,893)
At 31 May 2007	35,513	69,415	43,377	148,305
DEPRECIATION				
At 1 June 2006	99,712	116,444	10,480	226,636
Charge for year	7,771	17,354	8,675	33,800
Transfer to ownership	(97,526)	(107,306)	(2,589)	(207,421)
At 31 May 2007	9,957	26,492	16,566	53,015
NET BOOK VALUE				
At 31 May 2007	25,556	42,923	26,811	95,290
At 31 May 2006	-	91,682	54,474	146,156

9 DEBTORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 5 07 £	31 5 06 £
Trade debtors	2,592,710	3,324,699
Amounts owed by group undertakings	732,378	1,443,888
Other debtors	29,813	187,257
Prepayments and accrued income	87,892	154,232
	<u>3,442,793</u>	<u>5,110,076</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2007

10 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 5 07	31 5 06
	£	£
Hire purchase contracts (see note 12)	44,925	62,272
Trade creditors	2,553,562	2,909,273
Amounts owed to group undertakings	720,081	1,605,994
Tax	261,519	14,192
Social security and other taxes	99,065	160,013
Other creditors	14,931	15,320
Accruals & deferred income	364,166	316,037
	<u>4,058,249</u>	<u>5,083,101</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 5 07	31 5 06
	£	£
Hire purchase contracts (see note 12)	<u>33,664</u>	<u>63,966</u>

12 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	31 5 07	31 5 06
	£	£
Net obligations repayable		
Within one year	44,925	62,272
Between one and five years	33,664	63,966
	<u>78,589</u>	<u>126,238</u>

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	31 5 07	31 5 06	31 5 07	31 5 06
	£	£	£	£
Expiring				
Within one year	-	-	26,415	26,415
Between one and five years	558,080	558,080	49,110	-
	<u>558,080</u>	<u>558,080</u>	<u>75,525</u>	<u>26,415</u>

13 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid			31 5 07	31 5 06
Number	Class	Nominal value	£	£
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 May 2007

14 RESERVES

	Profit and loss account £
At 1 June 2006	663,700
Profit for the year	526,429
Dividends	(200,000)
At 31 May 2007	<u>990,129</u>

15 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions paid by the company to this fund amounted to £54,940 (2006- £43,308) in the year.

16 ULTIMATE PARENT COMPANY

The company's ultimate holding company is Activair Plc, a company incorporated in England & Wales. Activair (UK) Limited and Activair Plc share the same registered office and copies of group accounts can be obtained from the address on page 1.

17 RELATED PARTY DISCLOSURES

No disclosure of transactions with group members is disclosed here as the information is included within the consolidated financial statements produced by Activair Plc, the ultimate parent undertaking.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 5 07 £	31 5 06 £
Profit for the financial year	526,429	76,251
Dividends	(200,000)	(200,000)
Net addition/(reduction) to shareholders' funds	<u>326,429</u>	<u>(123,749)</u>
Opening shareholders' funds	683,700	807,449
Closing shareholders' funds	<u>1,010,129</u>	<u>683,700</u>

19 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is H M Evans by virtue of his majority shareholding of the equity capital of the parent company.