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REGISTERED COPY

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2005  
FOR  
ACTIVAIR (UK) LTD**



**COMPANY INFORMATION**  
**for the Year Ended 31 May 2005**

**DIRECTORS:** H M Evans  
C Thompson  
P Barrett  
M J Evans

**SECRETARY:** H M Evans

**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

**REPORT OF THE DIRECTORS  
for the Year Ended 31 May 2005**

The directors present their report with the financial statements of the company for the year ended 31 May 2005.

**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, financial position of the Company and recommended transfer to reserves are as shown in the annexed financial statements.

The Company made a profit in the financial year and the directors are confident that the group will continue to be profitable in the next financial year.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 May 2005.

**FIXED ASSETS**

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

**DIRECTORS**

The directors during the year under review were:

H M Evans  
C Thompson  
P Barrett  
M J Evans  
R A Windsor

- resigned 5.10.04

The directors holding office at 31 May 2005 did not hold any beneficial interest in the issued share capital of the company at 1 June 2004 or 31 May 2005.

H.M. Evans, C. Thompson and M.J. Evans all own shares in the ultimate holding company, details of which are shown in the report of that company.

**SUPPLIER PAYMENT POLICY**

Terms and conditions of payments to all suppliers are agreed on an individual basis. During the year ended 31 May 2005 the trade creditors payment period was on average 47 days (2004- 46 days).

**POTENTIAL IMPACT OF THE EURO**

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

**STATEMENT OF 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.

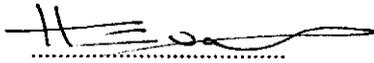
**ACTIVAIR (UK) LTD**

**REPORT OF THE DIRECTORS  
for the Year Ended 31 May 2005**

**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:**

A handwritten signature in black ink, appearing to read 'H M Evans', written over a dotted horizontal line.

H M Evans - Director

Date: 24 October 2005

**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 2005 on pages five to thirteen. These financial statements have been prepared under the historical cost convention and 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**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Report of the Directors 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 with the company 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.

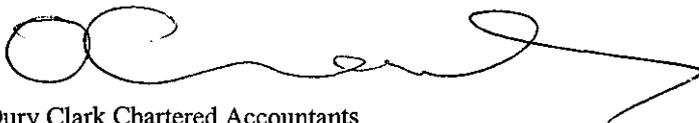
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 as at 31 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

Date: 24 October 2005

**PROFIT AND LOSS ACCOUNT**  
for the Year Ended 31 May 2005

	Notes	31.5.05		31.5.04	
		£	£	£	£
<b>TURNOVER</b>	2		25,043,702		22,380,301
Cost of sales			<u>18,505,825</u>		<u>16,559,097</u>
<b>GROSS PROFIT</b>			6,537,877		5,821,204
Distribution costs		44,971		43,740	
Administrative expenses		<u>6,264,955</u>		<u>5,605,161</u>	
			<u>6,309,926</u>		<u>5,648,901</u>
			227,951		172,303
Other operating income			<u>13,405</u>		<u>-</u>
<b>OPERATING PROFIT</b>	4		241,356		172,303
Interest payable and similar charges	5		<u>67,586</u>		<u>86,795</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			173,770		85,508
Tax on profit on ordinary activities	6		<u>64,058</u>		<u>39,624</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>			109,712		45,884
Retained profit brought forward			<u>677,737</u>		<u>631,853</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>			<u><u>£787,449</u></u>		<u><u>£677,737</u></u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

**TOTAL RECOGNISED GAINS AND LOSSES**

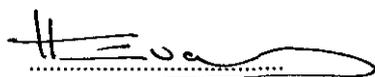
The company has no recognised gains or losses other than the profits for the current and previous years.

**ACTIVAIR (UK) LTD**

**BALANCE SHEET**  
**31 May 2005**

		31.5.05		31.5.04	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	7		473,073		415,237
<b>CURRENT ASSETS:</b>					
Debtors	8	4,530,246		3,478,322	
Cash at bank and in hand		<u>461,239</u>		<u>67,254</u>	
		4,991,485		3,545,576	
<b>CREDITORS: Amounts falling due within one year</b>	9	<u>4,634,837</u>		<u>3,180,988</u>	
<b>NET CURRENT ASSETS:</b>			<u>356,648</u>		<u>364,588</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			829,721		779,825
<b>CREDITORS: Amounts falling due after more than one year</b>	10		<u>22,272</u>		<u>82,088</u>
			<u>£807,449</u>		<u>£697,737</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	14		20,000		20,000
Profit and loss account			<u>787,449</u>		<u>677,737</u>
<b>SHAREHOLDERS' FUNDS:</b>	18		<u>£807,449</u>		<u>£697,737</u>

**ON BEHALF OF THE BOARD:**

  
.....  
H M Evans - Director

  
.....  
M J Evans - Director

Approved by the Board on 24 October 2005

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 May 2005

1. ACCOUNTING POLICIES

**Accounting convention**

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

In accordance with Financial Reporting Standard 18, "Accounting policies" the directors have reviewed the accounting policies to ensure that they are the most appropriate and comply with the standard

**Turnover**

Turnover represents net invoiced sales of goods and 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.

Leasehold property	- over remaining term of lease
Plant and machinery	- 20% on cost
Motor vehicles	- 20-25% on cost
Furniture & Equipment	- 15% - 33% on cost

The carrying values of the tangible fixed assets are reviewed for impairments in periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

**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. Differences arising on translation and on conversion of ordinary foreign currency transactions during the year are dealt with as part of the profit on ordinary activities.

The difference on exchange arising from the re-translation of the opening net investment in a subsidiary company and from the translation of the results of that company at the closing rate are taken to reserves.

**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 term of the lease.

**Pensions**

The company operates a defined contribution pension scheme. The assets of the fund are held separately from those of the company in an independently administered fund.

In addition to the scheme above, the company makes contributions on behalf of employees into a group administered personal pension scheme.

The contributions payable in respect of both of these schemes 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.

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 May 2005

1. ACCOUNTING POLICIES - continued

**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.

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 only two classes of business, being that of airfreight and seafreight 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

	31.5.2005	31.5.04
	£	£
Wages and Salaries	3,339,361	2,982,051
Social security costs	309,004	281,660
Other pension costs	46,989	40,199
	<u>£3,695,354</u>	<u>£3,303,910</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 May 2005

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	31.5.05	31.5.04
	£	£
Hire of plant and machinery	274,342	298,701
Auditors' remuneration	22,250	18,500
Depreciation - owned assets	111,135	92,346
Depreciation - assets on hire purchase contracts or finance leases	52,433	45,165
Operating lease rent paid	240,000	217,500
(Profit)/loss on disposal of fixed assets	(9,215)	1,932
Foreign exchange differences	<u>(87,732)</u>	<u>(211,128)</u>
Directors' emoluments	91,525	130,490
Directors' pension contributions to money purchase schemes	9,999	5,867
	<u>          </u>	<u>          </u>

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

Money purchase schemes	<u>2</u>	<u>3</u>
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In addition to Auditor's remuneration disclosed above, £15,162 (2004- £24,276) was charged for non-audit services.

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	31.5.05	31.5.04
	£	£
Bank interest	47,770	66,537
Hire purchase	<u>19,816</u>	<u>20,258</u>
	<u>67,586</u>	<u>86,795</u>

**6. TAXATION****Analysis of the tax charge**

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

	31.5.05	31.5.04
	£	£
Current tax:		
UK corporation tax	<u>64,058</u>	<u>39,624</u>
Tax on profit on ordinary activities	<u>64,058</u>	<u>39,624</u>

UK corporation tax was charged at 30% in 2004.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 May 2005

## 6. TAXATION - continued

**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:

	31.5.05	31.5.04
	£	£
Profit on ordinary activities before tax	<u>173,770</u>	<u>85,508</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	52,131	25,652
Effects of:		
Depreciation in excess of capital allowances	6,063	2,270
Expenses disallowed	5,864	12,573
Marginal relief	<u>-</u>	<u>(871)</u>
Current tax charge	<u>64,058</u>	<u>39,624</u>

## 7. TANGIBLE FIXED ASSETS

	<u>Leasehold property</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture &amp; Equipment</u>	<u>Totals</u>
	£	£	£	£	£
<b>COST:</b>					
At 1 June 2004	40,875	261,896	243,035	397,942	943,748
Additions	105,774	-	30,244	86,513	222,531
Disposals	<u>-</u>	<u>-</u>	<u>(29,978)</u>	<u>-</u>	<u>(29,978)</u>
At 31 May 2005	<u>146,649</u>	<u>261,896</u>	<u>243,301</u>	<u>484,455</u>	<u>1,136,301</u>
<b>DEPRECIATION:</b>					
At 1 June 2004	40,875	110,566	151,500	225,572	528,513
Charge for year	6,222	38,684	62,113	56,549	163,568
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(28,853)</u>	<u>-</u>	<u>(28,853)</u>
At 31 May 2005	<u>47,097</u>	<u>149,250</u>	<u>184,760</u>	<u>282,121</u>	<u>663,228</u>
<b>NET BOOK VALUE:</b>					
At 31 May 2005	<u>99,552</u>	<u>112,646</u>	<u>58,541</u>	<u>202,334</u>	<u>473,073</u>
At 31 May 2004	<u>-</u>	<u>151,331</u>	<u>91,536</u>	<u>172,370</u>	<u>415,237</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 May 2005

**7. TANGIBLE FIXED ASSETS - continued**

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

	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Totals</u>
	£	£	£
<b>COST:</b>			
At 1 June 2004 and 31 May 2005	<u>99,712</u>	<u>184,531</u>	<u>284,243</u>
<b>DEPRECIATION:</b>			
At 1 June 2004	93,412	106,993	200,405
Charge for year	<u>6,300</u>	<u>46,133</u>	<u>52,433</u>
At 31 May 2005	<u>99,712</u>	<u>153,126</u>	<u>252,838</u>
<b>NET BOOK VALUE:</b>			
At 31 May 2005	<u>-</u>	<u>31,405</u>	<u>31,405</u>
At 31 May 2004	<u>6,300</u>	<u>77,538</u>	<u>83,838</u>

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.5.05 £	31.5.04 £
Trade debtors	3,233,995	2,692,488
Other debtors	74,893	130,740
Prepayments & accrued income	151,496	202,071
Amounts owed by group undertakings	<u>1,069,862</u>	<u>453,023</u>
	<u>4,530,246</u>	<u>3,478,322</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.5.05 £	31.5.04 £
Bank loans and overdrafts (see note 11)	-	353,362
Trade creditors	2,752,621	2,008,931
Hire purchase	60,906	69,131
Other creditors	15,330	23,064
Due to group undertakings	1,277,114	477,910
Social security & other taxes	93,441	80,798
Taxation	64,157	39,709
Accruals & deferred income	<u>371,268</u>	<u>128,083</u>
	<u>4,634,837</u>	<u>3,180,988</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 May 2005

**10. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	31.5.05	31.5.04
	£	£
Hire purchase	<u>22,272</u>	<u>82,088</u>

All of the above creditors are due within 1 to 2 years

**11. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	31.5.05	31.5.04
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>-</u>	<u>353,362</u>

**12. OPERATING LEASE COMMITMENTS**

The following payments are committed to be paid within one year:

	31.5.05	31.5.04
	£	£
Expiring:		
Between one and five years	393,245	217,500
In more than five years	<u>210,012</u>	<u>-</u>
	<u>603,257</u>	<u>217,500</u>

**13. SECURED DEBTS**

The following secured debts are included within creditors:

	31.5.05	31.5.04
	£	£
Bank overdrafts	<u>-</u>	<u>353,362</u>

The company's overdraft is secured by a fixed and floating charge dated 18 May 1987 over the company's assets.

**14. CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.5.05	31.5.04
			£	£
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the Year Ended 31 May 2005**

**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 £6,356 (2004- £8,835) in the year.

In addition to the above scheme, the company makes contributions on behalf of employees into a group administered personal pension fund. The contributions paid by the company amounted to £40,429 (2004- £31,314) 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**

	31.5.05	31.5.04
	£	£
Profit for the financial year	<u>109,712</u>	<u>45,884</u>
<b>Net addition to shareholders' funds</b>	109,712	45,884
Opening shareholders' funds	<u>697,737</u>	<u>651,853</u>
<b>Closing shareholders' funds</b>	<u>807,449</u>	<u>697,737</u>
Equity interests	<u>807,449</u>	<u>697,737</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.

**20. CONTINGENT LIABILITY**

The Company has given guarantees in respect of bank borrowings of certain of its fellow group undertakings, which amounted to £679,820 (2004: £nil).

The directors have not been notified of any litigation that they consider will result in a material liability to the group, either individually or in aggregate.