

REGISTRAR'S COPY

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002
FOR
ACTIVAIR (UK) LTD**

1369262



COMPANY INFORMATION
for the Year Ended 31 May 2002

DIRECTORS:

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

SECRETARY:

R A Windsor

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
10 John Street
London
WC1 N2EB

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2002**

The directors present their report with the financial statements of the company for the year ended 31 May 2002.

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.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2002.

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

- appointed 1.10.01

The directors holding office at 31 May 2002 did not hold any beneficial interest in the issued share capital of the company at 1 June 2001 (or date of appointment if later) or 31 May 2002.

H.M. Evans and C.Thompson both 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 2002 the trade creditors payment period was on average 39 days.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

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.

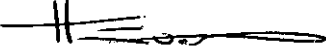
ACTIVAIR (UK) LTD

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2002**

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 be 'H M Evans', written over a horizontal line.

H M Evans - DIRECTOR

Dated: 17 October 2002

**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 2002 on pages five to thirteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

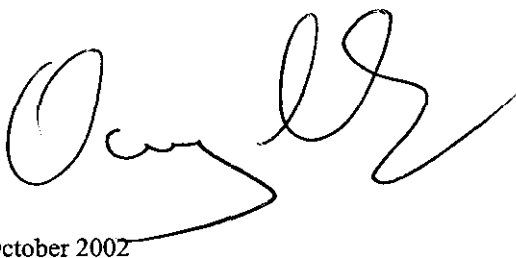
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2002 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



Dated: 17 October 2002

PROFIT AND LOSS ACCOUNT
for the Year Ended 31 May 2002

		31.5.02		31.5.01	
	Notes	£	£	£	£
TURNOVER	2		15,756,621		18,434,585
Cost of sales			<u>10,619,547</u>		<u>13,325,801</u>
GROSS PROFIT			5,137,074		5,108,784
Distribution costs		30,370		21,140	
Administrative expenses		<u>4,972,848</u>		<u>4,906,850</u>	
			<u>5,003,218</u>		<u>4,927,990</u>
OPERATING PROFIT	4		133,856		180,794
Bad debt			<u>-</u>		<u>50,198</u>
			133,856		130,596
Interest payable and similar charges	5		<u>109,605</u>		<u>104,932</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			24,251		25,664
Tax on profit on ordinary activities	6		<u>11,364</u>		<u>7,713</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			12,887		17,951
Retained profit brought forward			<u>487,678</u>		<u>469,727</u>
RETAINED PROFIT CARRIED FORWARD			<u><u>£500,565</u></u>		<u><u>£487,678</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

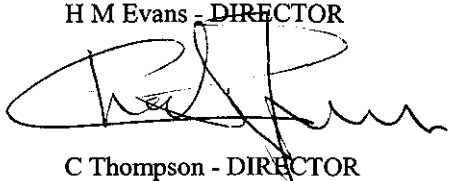
The company has no recognised gains or losses other than the profits for the current and previous years.

ACTIVAIR (UK) LTD
**BALANCE SHEET
31 May 2002**

		<u>31.5.02</u>		<u>31.5.01</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		373,482		226,511
CURRENT ASSETS:					
Debtors	8	2,808,755		2,963,608	
Cash at bank and in hand		<u>18,828</u>		<u>463,610</u>	
		2,827,583		3,427,218	
CREDITORS: Amounts falling due within one year	9	<u>2,595,530</u>		<u>3,112,461</u>	
NET CURRENT ASSETS:			<u>232,053</u>		<u>314,757</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			605,535		541,268
CREDITORS: Amounts falling due after more than one year	10		<u>84,970</u>		<u>33,590</u>
			<u>£520,565</u>		<u>£507,678</u>
CAPITAL AND RESERVES:					
Called up share capital	14		20,000		20,000
Profit and loss account			<u>500,565</u>		<u>487,678</u>
SHAREHOLDERS' FUNDS:	18		<u>£520,565</u>		<u>£507,678</u>

ON BEHALF OF THE BOARD:


H M Evans - DIRECTOR


C Thompson - DIRECTOR

Approved by the Board on 17 October 2002

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

In accordance with FRS 18, 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, 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	- 25% on cost
Furniture & Equipment	- 15% - 25% 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 as incurred.

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 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.

There is no effect on the current or prior year's results following this change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

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

	31.5.02	31.5.01
	£	£
Wages and salaries	2,787,587	2,620,789
Social security costs	14,239	12,062
Other pension costs	<u>18,848</u>	<u>24,699</u>
	<u>2,820,674</u>	<u>2,657,550</u>

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

	31.5.02	31.5.01
Sales and Administration	<u>126</u>	<u>118</u>

4. OPERATING PROFIT

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

	31.5.02	31.5.01
	£	£
Hire of plant and machinery	277,006	309,128
Depreciation - owned assets	90,612	81,134
Depreciation - assets on hire purchase contracts or finance leases	52,438	21,601
(Profit)/Loss on disposal of fixed assets	(5,652)	14,114
Auditors' remuneration	21,370	12,130
Foreign exchange differences	(6,078)	33,930
Operating lease rent paid	<u>217,500</u>	<u>217,500</u>
Directors' emoluments	<u>152,995</u>	<u>107,647</u>

The number of directors in respect of whom pension contributions under the company's defined contribution pension scheme were made in the year was 1 (2001 - 1).

In addition to Auditor's remuneration disclosed above, £3,591 (2001 - £12,198) was charged for non-audit services.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.5.02	31.5.01
	£	£
Bank interest	100,812	99,719
Hire purchase	8,793	5,213
	<u>109,605</u>	<u>104,932</u>

6. TAXATION

Analysis of the tax charge

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

	31.5.02	31.5.01
	£	£
Current tax:		
UK corporation tax	7,800	7,731
Tax underprovision	3,564	-
Tax overprovision	-	(18)
Total current tax	<u>11,364</u>	<u>7,713</u>
Tax on profit on ordinary activities	<u>11,364</u>	<u>7,713</u>

UK corporation tax has been charged at 21.09% (2001 - 21.88%).

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:

	31.5.02	31.5.01
	£	£
Profit on ordinary activities before tax	<u>24,251</u>	<u>25,664</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	7,275	7,699
Effects of:		
Depreciation	42,915	30,821
Loss on disposal of assets	-	4,234
Disallowed car lease rentals	1,932	2,507
Entertainment	1,175	3,808
Balancing charge	-	203
Profit on disposal of assets	(1,696)	-
Capital allowances and balancing allowance	(40,505)	(34,898)
Group relief	-	(3,776)
Marginal relief	(3,296)	(2,867)
Adjustments to tax charge in respect of previous periods	<u>3,564</u>	<u>(18)</u>
Current tax charge	<u>11,364</u>	<u>7,713</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

7. TANGIBLE FIXED ASSETS

	<u>Leasehold property</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture & Equipment</u>	<u>Totals</u>
	£	£	£	£	£
COST:					
At 1 June 2001	40,875	108,007	138,392	354,421	641,695
Additions	-	54,710	201,304	49,104	305,118
Disposals	-	-	(53,770)	(105,567)	(159,337)
At 31 May 2002	<u>40,875</u>	<u>162,717</u>	<u>285,926</u>	<u>297,958</u>	<u>787,476</u>
DEPRECIATION:					
At 1 June 2001	34,200	49,886	105,628	225,469	415,183
Charge for year	2,225	31,901	65,066	43,858	143,050
Eliminated on disposals	-	-	(38,672)	(105,567)	(144,239)
At 31 May 2002	<u>36,425</u>	<u>81,787</u>	<u>132,022</u>	<u>163,760</u>	<u>413,994</u>
NET BOOK VALUE:					
At 31 May 2002	<u>4,450</u>	<u>80,930</u>	<u>153,904</u>	<u>134,198</u>	<u>373,482</u>
At 31 May 2001	<u>6,675</u>	<u>58,121</u>	<u>32,763</u>	<u>128,952</u>	<u>226,511</u>

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>
	£	£	£
COST:			
At 1 June 2001	99,712	-	99,712
Additions	<u>54,710</u>	<u>92,851</u>	<u>147,561</u>
At 31 May 2002	<u>154,422</u>	<u>92,851</u>	<u>247,273</u>
DEPRECIATION:			
At 1 June 2001	49,886	-	49,886
Charge for year	<u>29,225</u>	<u>23,213</u>	<u>52,438</u>
At 31 May 2002	<u>79,111</u>	<u>23,213</u>	<u>102,324</u>
NET BOOK VALUE:			
At 31 May 2002	<u>75,311</u>	<u>69,638</u>	<u>144,949</u>
At 31 May 2001	<u>49,826</u>	<u>-</u>	<u>49,826</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

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

	31.5.02 £	31.5.01 £
Trade debtors	2,096,896	2,298,281
Other debtors	47,865	43,379
Prepayments & accrued income	204,293	196,099
Amounts owed by group under- takings	<u>459,701</u>	<u>425,849</u>
	<u><u>2,808,755</u></u>	<u><u>2,963,608</u></u>

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

	31.5.02 £	31.5.01 £
Bank loans and overdrafts (see note 11)	172,102	-
Trade creditors	1,784,832	2,092,985
Hire purchase	44,858	26,751
Other creditors	476,700	878,779
Social security & other taxes	84,965	86,986
Taxation	7,800	7,731
Accruals & deferred income	<u>24,273</u>	<u>19,229</u>
	<u><u>2,595,530</u></u>	<u><u>3,112,461</u></u>

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

	31.5.02 £	31.5.01 £
Hire purchase	<u>84,970</u>	<u>33,590</u>

11. LOANS AND OVERDRAFTS

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

	31.5.02 £	31.5.01 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>172,102</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

12. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	Operating leases			
	Land and buildings		Other	
	31.5.02	31.5.01	31.5.02	31.5.01
	£	£	£	£
Expiring:				
Within one year	-	-	2,667	19,125
Between one and five years	<u>217,500</u>	<u>217,500</u>	<u>26,624</u>	<u>23,219</u>
	<u>217,500</u>	<u>217,500</u>	<u>29,291</u>	<u>42,344</u>

13. SECURED DEBTS

The following secured debts are included within creditors:

	31.5.02	31.5.01
	£	£
Bank overdrafts	<u>172,102</u>	<u>-</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:	31.5.02	31.5.01
			£	£
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</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 pension cost charge represents contributions payable by the company to the fund and amounted to £619 (2001 £3,968).

16. ULTIMATE PARENT COMPANY

The company's ultimate holding company is Activair Public Limited Company, 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.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2002

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.5.02	31.5.01
	£	£
Profit for the financial year	<u>12,887</u>	<u>17,951</u>
Net addition to shareholders' funds	12,887	17,951
Opening shareholders' funds	<u>507,678</u>	<u>489,727</u>
Closing shareholders' funds	<u>520,565</u>	<u>507,678</u>
Equity interests	<u>520,565</u>	<u>507,678</u>