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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006
FOR
ACTIVAIR PLC



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for the Year Ended 31 May 2006

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COMPANY INFORMATION
for the Year Ended 31 May 2006

DIRECTORS:

H M Evans
C Thompson
M J Evans
S Lai

SECRETARY:

S Lai

REGISTERED OFFICE:

Unit 1
Action Court
Ashford Road
Ashford
Middlesex
TW15 1XS

REGISTERED NUMBER:

02341632

AUDITORS:

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

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2006**

The directors present their report with the financial statements of the company and group for the year ended 31 May 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company and that of the group is international airfreight, sea-freight and road-freight forwarders.

REVIEW OF BUSINESS

The results for the year, financial position of the company and group and recommended transfer to reserves are as shown in the annexed financial statements.

During the year the performance of the company has remained strong. Turnover has increased by £5.3 million to £45.8 million for the period ended 31 May 2006, with a profit before tax of £1.1 million, 41.6% increase on previous year.

Direct costs have increased in line with turnover, maintaining a consistent gross profit percentage of 29.3%. The company has similarly controlled its overhead costs in the year which, despite increased turnover and direct costs, have not increased prohibitively on previous year.

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 perform well in what is a competitive market place. However, by continuing to focus on its strength – superior service to our customers, it is anticipated that the growth will continue for the foreseeable future.

The company monitors its performance through the use of Key Performance Indicators (KPI's). A number of KPI's are employed – gross profit %, net profit %, turnover/ yield ratio. 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

The directors recommend that no dividend be paid for the year and that the profit of £ 718,285 (2005 - £501,228) be transferred to consolidated reserves.

FIXED ASSETS

Movements in fixed assets are disclosed in note 8 to the financial statements.

REPORT OF THE DIRECTORS
for the Year Ended 31 May 2006

DIRECTORS

The directors during the year under review were:

H M Evans
C Thompson
M J Evans

The beneficial interests of the directors holding office on 31 May 2006 in the issued ordinary share capital of the company were as follows:

	31.05.06	01.06.05
Ordinary £1 shares		
H M Evans	33,117	25,500
C Thompson	15,584	12,000
M J Evans	1,299	1,000

The beneficial interests of the directors holding office on 31 May 2006 in the issued non-participating redeemable preference share capital of the company were as follows:

	31.05.06	01.06.05
Non-participating redeemable £1 preference shares		
H M Evans	-	5,000
C Thompson	-	5,000
M J Evans	-	-

PURCHASE OF OWN SHARES

On the 23 August 2005 the company acquired 1,500 £1 ordinary shares, with an aggregate nominal value of £1,500, for a total consideration of £120,000. The shares were purchased from a retiring shareholder and for the purposes of protecting the commercial interests of the company and its group. This purchase represented the acquisition of 3% of the company's share capital then in issue.

SUPPLIER PAYMENT POLICY

Terms and conditions of payments to all suppliers are agreed on an individual basis. During the year ended 31 May 2006 the trade creditors payment period was on average 50 days (2005 – 46 days).

POTENTIAL IMPACT OF THE EURO

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

EMPLOYEE INVOLVEMENT

The group has continued its practice of keeping employees informed of matters affecting them as employees and of the financial and economic factors affecting the performance of the group.

DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue. It is the policy of the group that training, career development and promotion opportunities should be made available to all employees.

**REPORT OF THE DIRECTORS
for the Year Ended 31 May 2006**

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 group 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 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.

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

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

ON BEHALF OF THE BOARD:



.....
S Lai - Secretary

Dated: 18 October 2006.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ACTIVAIR PLC**

We have audited the financial statements of Activair Plc for the year ended 31 May 2006 on pages six to twenty. 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 four, 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 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 if, in our opinion, the Report of the Directors is 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 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.

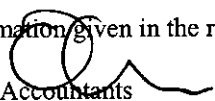
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 and group's affairs as at 31 May 2006 and of the company and the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the report of the directors is consistent with the financial statements.

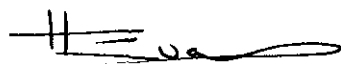

Oury Clark Chartered Accountants
Registered Auditors
Herschel House
58 Herschel Street
Slough
Berkshire
SL1 1PG

Dated: 18 October 2006

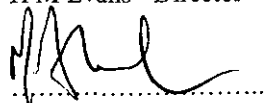
COMPANY BALANCE SHEET
as at 31 May 2006

		<u>31.5.06</u>		<u>31.5.05</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Investments	9		156,021		156,021
CURRENT ASSETS:					
Debtors	10	<u>1,456,618</u>		<u>1,137,333</u>	
		1,456,618		1,137,333	
CREDITORS: Amounts falling due within one year	11	<u>878,591</u>		<u>1,080,696</u>	
NET CURRENT ASSETS:			<u>578,027</u>		<u>56,637</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u><u>£734,048</u></u>		<u><u>£212,658</u></u>
CAPITAL AND RESERVES:					
Called up share capital	16		50,000		50,000
Profit and loss account	17		684,048		152,658
Capital redemption reserve	18		<u>-</u>		<u>10,000</u>
SHAREHOLDERS' FUNDS:	20		<u><u>£734,048</u></u>		<u><u>£212,658</u></u>

ON BEHALF OF THE BOARD:



H M Evans - Director



M J Evans - Director

Approved by the Board on 18 October 2006.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 May 2006

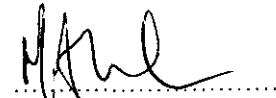
		<u>31.5.06</u>	<u>31.5.05</u>
	Notes	£	£
TURNOVER	2	45,760,715	40,439,966
Cost of sales		<u>32,345,731</u>	<u>28,504,128</u>
GROSS PROFIT		13,414,984	11,935,838
Administrative expenses		<u>12,232,022</u>	<u>11,102,458</u>
OPERATING PROFIT	4	1,182,962	833,380
Other income	5	<u>1,515</u>	<u>2,965</u>
		1,184,477	836,345
Interest payable and similar charges	6	<u>55,211</u>	<u>81,144</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,129,266	755,201
Taxation on profit on ordinary activities	7	<u>407,360</u>	<u>249,619</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		721,906	505,582
Minority interest		<u>3,621</u>	<u>4,354</u>
PROFIT FOR THE YEAR		<u><u>718,285</u></u>	<u><u>£501,228</u></u>
CONTINUING OPERATIONS			
None of the group's activities were acquired or discontinued during the current or previous years.			
TOTAL RECOGNISED GAINS AND LOSSES		<u>31.5.06</u>	<u>31.5.05</u>
		£	£
Profit for the financial year		718,285	501,228
Exchange profit/(loss) on restatement of consolidation		<u>(6,269)</u>	<u>3,035</u>
		<u><u>£712,016</u></u>	<u><u>£504,263</u></u>

CONSOLIDATED BALANCE SHEET
as at 31 May 2006

		<u>31.5.06</u>		<u>31.5.05</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	8		921,713		667,125
Investments	9		39,215		-
CURRENT ASSETS:					
Debtors	10	7,391,162		6,602,158	
Cash at bank and in hand		<u>963,060</u>		<u>1,137,774</u>	
		8,354,222		7,739,932	
CREDITORS: Amounts falling due within one year	11	<u>6,303,155</u>		<u>6,036,577</u>	
NET CURRENT ASSETS:			<u>2,051,067</u>		<u>1,703,355</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			3,011,995		2,370,480
CREDITORS: Amounts falling due after more than one year	12		88,955		40,930
PROVISION FOR LIABILITIES AND CHARGES	13		14,240		7,279
			<u>£2,908,800</u>		<u>£2,322,271</u>
CAPITAL AND RESERVES:					
Called up share capital	16		50,000		50,000
Profit and loss account	17		2,828,406		2,234,204
Capital redemption reserve	18		-		10,000
SHAREHOLDERS' FUNDS	20		2,878,406		2,294,204
MINORITY INTEREST			<u>30,394</u>		<u>28,067</u>
			<u>£2,908,800</u>		<u>£2,322,271</u>
Analysis of shareholders' funds:					
Equity shareholders' funds			2,878,406		2,284,204
Non-equity shareholders' funds			-		10,000
SHAREHOLDERS' FUNDS	20		<u>£2,878,406</u>		<u>£2,294,204</u>

ON BEHALF OF THE BOARD:


H M Evans - Director



M J Evans - Director

Approved by the Board on 18 October 2006.

CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 May 2006

		31.5.06		31.5.05	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		1,473,081		1,025,899
Returns on investments and servicing of finance					
Interest received		1,515		2,965	
Interest paid		<u>(55,211)</u>		<u>(81,144)</u>	
			(53,696)		(78,179)
Taxation					
Corporation tax paid			(349,952)		(145,851)
Capital expenditure and Financial investment					
Purchase of tangible fixed assets		(586,869)		(306,473)	
Sale of tangible fixed assets		<u>56,308</u>		<u>39,373</u>	
Net cash flow from capital expenditure and financial investment			<u>(530,561)</u>		<u>(267,100)</u>
Net cash inflow/(outflow) before financing			538,872		534,769
Net cash (outflow) from financing	3		<u>(161,546)</u>		<u>(876,742)</u>
(Decrease) in cash in the year			<u>£377,326</u>		<u>£(341,973)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	2				
(Decrease) in cash in the year		377,326		(341,973)	
Cash flow from decrease in debt and lease financing		<u>31,546</u>		<u>86,742</u>	
Change in net debt resulting from cash flows			<u>408,872</u>		<u>(255,231)</u>
Movement in net funds in the year			408,872		(255,231)
Net funds at 1 June 2005			<u>234,511</u>		<u>489,742</u>
Net funds at 31 May 2006			<u>£643,383</u>		<u>£234,511</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 May 2006

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31.5.06 £	31.5.05 £
Operating profit	1,182,961	833,380
Increase in minority interest	(1,293)	(4,355)
Depreciation charges	254,137	227,376
(Profit) on sale of fixed assets	(17,379)	(5,542)
(Increase) in debtors	(789,005)	(912,314)
Increase in creditors	847,741	935,986
Exchange rate movement on consolidation	<u>(4,081)</u>	<u>(48,632)</u>
Net cash inflow from operating activities	<u>£1,473,081</u>	<u>£1,025,899</u>

2. ANALYSIS OF CHANGES IN NET DEBT

	At 1.6.05 £	Cash flow £	At 31.5.06 £
Net cash:			
Cash at bank and in hand	1,137,774	(174,714)	963,060
Bank overdraft	<u>(796,606)</u>	<u>615,132</u>	<u>(181,474)</u>
	341,168	440,418	781,586
Debt:			
Hire purchase due within one year	(73,869)	5,000	(68,869)
Hire purchase due after more than one year	<u>(32,788)</u>	<u>(36,546)</u>	<u>(69,334)</u>
Total	<u>234,511</u>	<u>408,872</u>	<u>643,383</u>
Analysed in Balance Sheet			
Cash at bank and in hand	1,137,774		963,060
Bank overdraft	(796,606)		(181,474)
Hire purchase due within one year	(73,869)		(68,869)
Hire purchase due after more than one year	<u>(32,788)</u>		<u>(69,334)</u>
Total	<u>£234,511</u>		<u>£643,383</u>

3. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	31.5.06 £	31.5.05 £
Issue of share capital	1,500	10,000
(Purchase) of own shares	(131,500)	(800,000)
(Decrease) in hire purchase finance	<u>(31,546)</u>	<u>(86,742)</u>
Net cash (outflow) from financing	<u>£(161,546)</u>	<u>£(876,742)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and 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 services to third parties, excluding value added tax.

Consolidation

The consolidated accounts incorporate the accounts of the company and those of its subsidiaries, all of which are made up to 31 May 2006 (Note 9 refers).

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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.

Fixed asset investments

The carrying values of the fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Deferred taxation

Financial Reporting Standard 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 year. 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 likely that the gain will not be rolled over.

Foreign currencies

In the individual company accounts 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 the 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.

On consolidation the balance sheet of the foreign subsidiaries are converted at the rate of exchange ruling at the balance sheet date. Amounts in the profit and loss account of the foreign subsidiaries are translated at the closing rate for the accounting period. 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.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments (continued)

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.

2. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company and group.

The directors have not complied with either Statement of Standard Accounting Practice 25 or Companies Act 1985 (Schedule 4 paragraph 55) as regards the disclosure of segmental information. The group carries on only two classes of business, being that of airfreight and sea-freight forwarding. Geographically the group can be divided into four major sectors; the United Kingdom, North America, Far East and Oceania. The nature of the trade of the group 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 group's operations to competitors could be prejudicial to the group.

3. STAFF COSTS

	GROUP	
	31.5.06	31.5.05
	£	£
Wages and salaries		
(including direct expenses)	5,891,533	5,560,861
Social security costs	469,713	337,951
Other pension costs	83,211	119,739
	<u>6,444,457</u>	<u>6,018,551</u>

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

	GROUP	
	31.5.06	31.5.05
Sales and administration	<u>245</u>	<u>232</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

4. OPERATING PROFIT

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

	GROUP	
	31.5.06	31.5.05
	£	£
Directors' emoluments (directors of company)	907,773	540,160
Auditors' remuneration	91,860	61,476
Hire of plant and machinery	297,206	290,747
Depreciation - owned assets	225,561	174,893
- assets held under HP	25,935	52,914
Operating lease rent paid	632,255	250,462
Profit on disposal of fixed assets	(17,379)	(5,542)
Loss on exchange	<u>85,774</u>	<u>32,412</u>

In addition to the Auditors' remuneration disclosed above, £27,107 (2005 - £60,987) was charged for non-audit services.

The highest paid director, excluding pension contributions, earned £331,773 (2005 - £180,093). In addition, the company made contributions of £Nil (2005 - £265,558) into a money purchase pension scheme on behalf of the director.

No shares were received or receivable by the highest paid director in relation to any long-term incentive scheme.

The number of other directors of the company in respect of whom contributions were made under the money purchase pension scheme was 2 (2005 - 2). The total pension cost of these contributions was £8,602 (2005 - £597,619).

5. OTHER INCOME

	GROUP	
	31.5.06	31.5.05
	£	£
Bank interest receivable	<u>1,515</u>	<u>2,965</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP	
	31.5.06	31.5.05
	£	£
Interest payable on short term borrowings	30,833	59,416
Hire purchase interest	11,928	21,593
Loan interest	<u>12,450</u>	<u>135</u>
	<u>55,211</u>	<u>81,144</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

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

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

	GROUP	
	31.5.06	31.5.05
	£	£
Current tax:		
UK corporation tax	204,356	91,013
Under provision in previous year for UK corporation tax	24,152	32,545
Foreign corporation tax	<u>178,852</u>	<u>126,061</u>
Total current tax	<u>407,360</u>	<u>249,619</u>

The foreign corporation tax relates wholly to profits incurred in the year.

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of taxation. The difference is explained below:

	GROUP	
	31.5.06	31.5.05
	£	£
Profit on ordinary activities before tax	1,129,266	755,201
Profit on ordinary activities multiplied by the standard rate of taxation of 30.00% (2005 – 30.00%)	338,990	226,560
Effects of:		
Capital allowances in excess of depreciation	1,211	8,822
Income disallowed	(5,435)	(5,339)
Expenses disallowed	90,973	8,322
Adjustments to tax charge in respect of marginal relief	(526)	(1,465)
Consolidation adjustments	(21,770)	(16,352)
Tax underprovision from previous year	26,092	32,545
Tax exemption	(3,554)	(3,474)
Double tax relief	<u>(18,621)</u>	<u>-</u>
Current tax charge	<u>£407,360</u>	<u>£249,619</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

8. TANGIBLE FIXED ASSETS – GROUP

	Short leasehold property and improvements	Motor vehicles	Plant and machinery	Furniture and equipment	Totals
	£	£	£	£	£
COST:					
At 1 June 2005	169,533	300,892	333,367	896,393	1,700,185
Additions	63,629	69,415	56,436	358,173	547,654
Disposals	<u>(3,959)</u>	<u>(71,015)</u>	<u>-</u>	<u>(111,783)</u>	<u>(186,757)</u>
	229,203	299,292	389,803	1,142,783	2,061,082
Exchange rate adjustment	<u>(510)</u>	<u>(916)</u>	<u>(20,180)</u>	<u>(3,711)</u>	<u>(25,317)</u>
At 31 May 2006	<u>228,693</u>	<u>298,376</u>	<u>369,623</u>	<u>1,139,072</u>	<u>2,035,765</u>
DEPRECIATION:					
At 1 June 2005	51,998	229,467	196,480	555,115	1,033,060
Charge for year	18,073	31,690	41,338	163,036	254,137
Eliminated on disposals	<u>-</u>	<u>(67,815)</u>	<u>-</u>	<u>(83,214)</u>	<u>(151,029)</u>
	70,071	193,342	237,818	634,937	1,136,168
Exchange rate adjustment	<u>(49)</u>	<u>(945)</u>	<u>(19,410)</u>	<u>(1,714)</u>	<u>(22,116)</u>
At 31 May 2006	<u>70,022</u>	<u>192,398</u>	<u>218,408</u>	<u>633,223</u>	<u>1,114,052</u>
NET BOOK VALUE:					
At 31 May 2006	<u>158,671</u>	<u>105,978</u>	<u>151,215</u>	<u>505,849</u>	<u>921,713</u>
At 31 May 2005	<u>117,535</u>	<u>71,425</u>	<u>136,887</u>	<u>341,278</u>	<u>667,125</u>

Included in the above are fixed assets with a net book value of £164,213 (2005 - £32,714) held under hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

9. FIXED ASSET INVESTMENTS - COMPANY

	£
COST:	
At 1 June 2005	<u>156,021</u>
At 31 May 2006	<u>156,021</u>
NET BOOK VALUE:	
At 31 May 2006	<u>156,021</u>
At 31 May 2005	<u>156,021</u>

The company has an investment in the following companies:

Name	Country of Incorporation	Holding	Percentage held
Activair (UK) Ltd	England & Wales	Ordinary Shares	100
Activair (New York) Llc	United States	Ordinary Shares	100
Activair (Indianapolis) Llc	United States	Ordinary Shares	100
Activair (Singapore) Pte Ltd	Singapore	Ordinary Shares	100
Activair (Hong Kong) Ltd	Hong Kong	Ordinary Shares	94
*Activsea (Hong Kong) Ltd	Hong Kong	Ordinary Shares	94
*Activlogistics (Hong Kong) Ltd	Hong Kong	Ordinary Shares	94
Activair (New Zealand) Ltd	New Zealand	Ordinary Shares	100
Activair Australia Pte Ltd	Australia	Ordinary Shares	100
Activair Travel Ltd (Dormant)	England and Wales	Ordinary Shares	100
Activroad Limited (Dormant)	England and Wales	Ordinary Shares	100
Activsea Limited (Dormant)	England and Wales	Ordinary Shares	100

All subsidiary undertakings are engaged in freight forwarding, with the exception of Activroad Limited, Activsea Limited and Activair Travel Limited, which have not traded in the current or previous years. All the subsidiary undertakings are included in the consolidated group financial statements.

*The company's investment in Activsea (Hong Kong) Limited is held through Activair (Hong Kong) Limited which holds 100% of this company.

The directors are of the opinion the investments are fairly valued in the accounts at the lower of cost or realisable value.

FIXED ASSET INVESTMENTS - GROUP

	£
COST:	
At 1 June 2005	
Additions	<u>39,215</u>
At 31 May 2006	<u>39,215</u>
NET BOOK VALUE:	
At 31 May 2006	<u>39,215</u>
At 31 May 2005	<u>-</u>

The investment relates to unlisted securities and the above values materially reflect the market values.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Trade debtors	6,803,007	6,171,164	-	-
Prepayments and accrued income	202,730	183,966	-	-
Due from subsidiary undertakings	-	-	1,449,976	1,135,379
Other debtors	<u>385,425</u>	<u>247,028</u>	<u>6,642</u>	<u>1,954</u>
	<u>7,391,162</u>	<u>6,602,158</u>	<u>1,456,618</u>	<u>1,137,333</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Bank overdrafts	178,318	796,606	74,525	679,820
Trade creditors	4,316,966	3,905,929	11,549	8,511
Due to group undertakings	-	-	186,461	164,193
Social security and other taxes	512,504	427,235	192,968	110,289
Sundry creditors & accruals	1,226,498	832,938	413,088	117,883
Hire purchase	<u>68,869</u>	<u>73,869</u>	<u>-</u>	<u>-</u>
	<u>6,303,155</u>	<u>6,036,577</u>	<u>878,591</u>	<u>1,080,696</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Hire purchase	69,334	32,788	-	-
Other creditors	<u>19,621</u>	<u>8,142</u>	<u>-</u>	<u>-</u>
	<u>88,955</u>	<u>40,930</u>	<u>-</u>	<u>-</u>

All of the above creditors are due within 2 years.

13. PROVISION FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Opening balance	7,279	-	-	-
Deferred tax charge in year	<u>6,961</u>	<u>7,279</u>	<u>-</u>	<u>-</u>
Closing balance	<u>14,240</u>	<u>7,279</u>	<u>-</u>	<u>-</u>

All deferred tax liabilities have been provided for.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

14. BANK LOANS AND OVERDRAFTS

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

	GROUP		COMPANY	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	<u>178,318</u>	<u>796,606</u>	<u>74,525</u>	<u>679,820</u>

The overdrafts are secured by fixed and floating charges over the individual company assets.

15. OBLIGATIONS UNDER LEASING AGREEMENTS

The company had no commitments under operating lease agreements. The following payments are committed to be paid by the group:-

	Land and Buildings		Other	
	31.5.06	31.5.05	31.5.06	31.5.05
	£	£	£	£
Expiring:				
Within one year	149,944	-	193,216	-
Between one and five years	606,486	393,245	172,792	125,684
In more than five years	-	210,012	-	-
	<u>756,430</u>	<u>603,257</u>	<u>366,008</u>	<u>125,684</u>

16. CALLED UP SHARE CAPITAL

Ordinary share capital

Authorised:				
Number:	Class:	Nominal value:	31.5.06	31.5.05
			£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

Number:	Class:	Nominal value:	31.5.06	31.5.05
			£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>40,000</u>

Non-participating redeemable preference share capital

Authorised:				
Number:	Class:	Nominal value:	31.5.06	31.5.05
			£	£
11,500	Ordinary	£1	<u>11,500</u>	<u>10,000</u>

Allotted, called up and fully paid:

Number:	Class:	Nominal value:	31.5.06	31.5.05
			£	£
-	Ordinary	£1	<u>-</u>	<u>10,000</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

16. CALLED UP SHARE CAPITAL cont.

During the year the authorised share capital was increased by 1,500 non participating redeemable preference shares of £1 each giving a total of £11,500.

The company made a bonus issue of 1 ordinary £1 share for every 3.348 ordinary £1 shares held by the existing ordinary shareholders in the Company. The 11,500 shares of £1 each were issued as fully paid with the Company's capital redemption reserve being applied in full.

The Company then immediately purchased 11,500 preference shares of £1 each funded from the distributable reserves of the Company.

17. PROFIT AND LOSS ACCOUNT

	GROUP		COMPANY	
	31.5.06 £	31.5.05 £	31.5.06 £	31.5.05 £
Opening balance	2,234,204	2,585,964	152,657	917,254
Profit for the year	718,286	501,228	651,391	35,404
Purchase of own shares	(120,000)	(800,000)	(120,000)	(800,000)
Exchange differences	<u>(4,084)</u>	<u>(52,988)</u>	<u>-</u>	<u>-</u>
Closing balance	<u>2,828,406</u>	<u>2,234,204</u>	<u>684,048</u>	<u>152,658</u>

18. CAPITAL REDEMPTION RESERVE

	GROUP		COMPANY	
	31.5.06 £	31.5.05 £	31.5.06 £	31.5.05 £
Opening balance	10,000	-	10,000	-
Bonus share issue	(11,500)	-	(11,500)	-
Transfer on purchase of own shares	<u>1,500</u>	<u>10,000</u>	<u>1,500</u>	<u>10,000</u>
Closing balance	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>

19. PROFITS FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group result for the year includes a profit of £651,391 (2005 – profit £35,404), which is dealt with in the financial statements of the parent company.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 May 2006

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	31.5.06 £	31.5.05 £	31.5.06 £	31.5.05 £
Profit for the financial year	718,285	501,228	651,391	35,404
Issue of share capital	1,500	10,000	1,500	10,000
Purchase of own shares	(131,500)	(800,000)	(131,500)	(800,000)
Other recognised losses relating to the year	<u>(4,083)</u>	<u>(52,988)</u>	<u>-</u>	<u>-</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	584,202	(341,760)	521,391	(754,596)
Opening shareholders' funds	<u>2,294,204</u>	<u>2,635,964</u>	<u>212,657</u>	<u>967,254</u>
CLOSING SHAREHOLDERS' FUNDS	<u>2,878,406</u>	<u>2,294,204</u>	<u>734,048</u>	<u>212,658</u>
Analysis of closing shareholders' funds:				
	£	£	£	£
Equity interests	2,878,406	2,284,204	734,048	202,658
Non-equity interests	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	<u>2,878,406</u>	<u>2,294,204</u>	<u>734,048</u>	<u>212,658</u>

21. 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 group to the fund and amounted to £17,122 (2005 - £597,619).

In addition to the above scheme, the company makes contributions on behalf of employees into a group administered personal pension scheme. The charge amounted to £39,121 (2005 - £40,429).

22. ULTIMATE CONTROLLING PARTY

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

23. GROUP ACCOUNTS

Copies of the group accounts are available from the registered office as shown on page 1 of these financial statements.

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 not to disclose transactions between itself and other companies within its group on the grounds that those companies and transactions are included within the consolidated financial statements presented by the company.