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ATLASAIR PARCELS SERVICE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

For the Year Ended 31st December 1987



ATLASAIR PARCELS SERVICE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 1987

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £79,342 (1986 - Loss £27,993).

The Directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The principal activities of the Company are those of forwarding and customs clearing express parcels.

The Company acts as the exclusive service partner of United Parcels Service of America, offering export and import express door to door parcel services. Traffic levels have increased throughout the year, and continuing demand is expected for this type of activity which should provide further opportunities for profitable growth during 1988.

DIRECTORS AND THEIR INTERESTS

No Director had an interest in the share capital of the company during the year.

The following have served as Directors during the year and are also Directors of the Holding Company and their interests are disclosed in that company's Register of Directors' Shareholdings.

A.S. Keating
D.I. Tendell
C.H. Bridgen

The following also served as Director during the year and has no interest in the Holding Company.

L.L. Long

Directors' remuneration was £NIL (1986 - £NIL).

No Director at any time during the year had any contract of significance in relation to the Company's business.

No arrangements exist, to which the Company was a party, which would have enabled Directors to acquire benefits by means of the acquisition of shares in or loan stock of the company or any other body corporate.

ATLASAIR PARCELS SERVICE LIMITED - DIRECTORS' REPORT (cont'd)

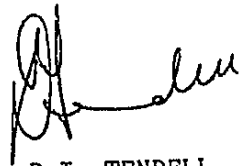
DISABLED PERSONS

Disabled persons are employed by the Company when they appear to be suited in a particular vacancy. The particular aptitudes and abilities of disabled persons are more easily met in certain aspects of our business, particularly in connection with clerical work, and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. In the event that an employee should become disabled while in our employment every effort is made to ensure continuing employment within the Company.

AUDITORS

A resolution to reappoint Lionel H. Lemon & Co. as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



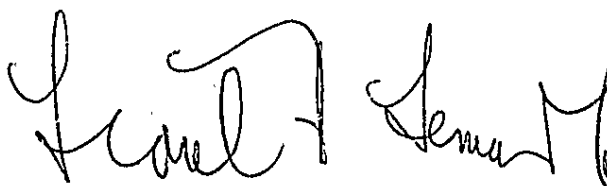
D.I. TENDELL
Secretary

23rd March 1988

AUDITORS REPORT TO THE MEMBERS
OF
ATLASAIR PARCELS SERVICE LIMITED

We have audited the accounts on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company at 31st December 1987 and of the profit and source and application of funds of the Company for the year then ended and comply with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Lionel H. Lemon', is written in a cursive style.

LONDON

LIONEL H. LEMON & CO.,
CHARTERED ACCOUNTANTS

24th March 1988

ATLASAIR PARCELS SERVICE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1987

		<u>1987</u>	<u>1986</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
TURNOVER	2	3,804,102	2,081,884
Cost of Sales	3	<u>3,181,064</u>	<u>1,613,401</u>
Gross Profit		623,038	468,483
Distribution Costs and Administrative Expenses	3	505,683	483,810
OPERATING PROFIT (LOSS)	3	<u>117,355</u>	<u>(15,327)</u>
Interest Receivable		31	-
Interest Payable	4	(10,264)	(12,666)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>107,122</u>	<u>(27,993)</u>
Taxation on Profit (Loss) on Ordinary Activities	6	27,780	-
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>79,342</u>	<u>(27,993)</u>
Deficit brought forward		(27,993)	-
RETAINED PROFIT (DEFICIT) CARRIED FORWARD		<u>51,349</u> =====	<u>(27,993)</u> =====

The notes on pages 7 to 11 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED
BALANCE SHEET AT 31ST DECEMBER 1987

		<u>1987</u>	<u>1986</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
FIXED ASSETS:			
Tangible Assets	7	42,022	<u>33,114</u>
CURRENT ASSETS:			
Debtors	8	882,193	502,810
Cash at Bank		<u>22,563</u>	<u>46,008</u>
		904,756	548,818
CREDITORS:			
Amounts Falling Due Within One Year	9	<u>890,929</u>	<u>608,925</u>
NET CURRENT ASSETS (LIABILITIES)		<u>13,827</u>	<u>(60,107)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		55,849	(26,993)
PROVISION FOR LIABILITIES AND CHARGES:			
Deferred Taxation	10	<u>3,500</u>	<u>-</u>
		52,349	(26,993)
		=====	=====
CAPITAL AND RESERVES:			
Called up Share Capital	11	1,000	1,000
Profit & Loss Account		<u>51,349</u>	<u>(27,993)</u>
		52,349	(26,993)
		=====	=====

A.S. KEATING)
D.I. TENDELL) DIRECTORS

The notes on pages 7 to 11 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1987

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Source of Funds:		
Profit (Loss) on Ordinary Activities before Taxation	107,122	(27,993)
Adjustment for Items not involving the movement of Working Capital:		
Depreciation	<u>10,136</u>	<u>6,508</u>
TOTAL GENERATED FROM OPERATIONS	117,258	(21,485)
Funds from other Sources:		
Shares Issued	-	1,000
Proceeds from sale of Tangible Fixed Assets	<u>169</u>	<u>-</u>
	117,427	(20,485)
Application of Funds:		
Purchase of Tangible Fixed Assets	<u>19,213</u>	<u>(39,622)</u>
Working Capital - Increase/(Decrease)	<u>98,214</u> =====	<u>(60,107)</u> =====
Components of Increase/(Decrease) in Working Capital:		
Debtors	366,663	502,810
Creditors	<u>(245,004)</u>	<u>(608,925)</u>
	121,659	(106,115)
Movement in Net Liquid Funds:		
Cash at Bank and in Hand	<u>(23,445)</u>	<u>46,008</u>
	<u>98,214</u> =====	<u>(60,107)</u> =====

The notes on pages 7 to 11 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1987

Events relating to the year ended 31st December 1987, which occurred before 23rd March 1988, the date of approval of accounts by the Board of Directors, have been included in the accounts to the extent required by Statement of Standard Accounting Practice No. 17.

1. ACCOUNTING POLICIES

Accounting Convention

The Accounts have been prepared under the historical cost convention.

Depreciation

Depreciation of fixed assets is provided at rates calculated to reduce their cost to estimated realisable value at the end of their anticipated useful life.

The rates used and applied to original cost are such as will fully depreciate the assets over the following period:

Furniture and Fittings	3 to 10 years
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Foreign Currency

Gains and losses arising from foreign currency transactions are taken into account in arriving at the trading profit. Assets and Liabilities expressed in foreign currencies are revalued at the balance sheet date.

Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences.

Comparative Figures

The comparative figures shown are those for the period 30th September 1985 to 31st December 1986.

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1987 (cont'd)

2. TURNOVER

Turnover represents the invoiced amount for services and transportation provided as forwarders and customs clearance agents and is stated net of value added tax.

Turnover and pre-tax profit (loss) were wholly attributable to the provision of services within the United Kingdom as forwarders and customs clearance agents.

	<u>1987</u>	<u>1986</u>
TURNOVER	£3,804,102 =====	£2,081,884 =====
PRE-TAX PROFIT (LOSS)	£ 107,122 =====	£ (27,993) =====

3. OPERATING PROFIT (LOSS)

Profit (Loss) is stated after charging or crediting:

Cost of Sales:

Depreciation	2,107	1,109
Hire of Plant	91,904	45,404
Other Costs	<u>3,087,053</u>	<u>1,566,888</u>
	£3,181,064 =====	£1,613,401 =====

Distribution costs &
administrative expenses:

Auditors' Remuneration	6,000	5,200
Depreciation	8,029	5,399
Hire of Plant	18,158	13,205
Other Expenses	<u>473,496</u>	<u>460,006</u>
	£ 505,683 =====	£ 483,810 =====

4. INTEREST PAYABLE

Bank loans, overdrafts and loans wholly repayable within five years:

External	21	79
Inter-Group	<u>10,243</u>	<u>12,587</u>
	£ 10,264 =====	£ 12,666 =====

ATLASAIR PARCELS SERVICE LIMITEDNOTES TO THE ACCOUNTS AT 31ST DECEMBER 1987 (cont'd)

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
5. EMPLOYEES	No.	No.
The average weekly number of employees during the year was made up as follows:-		
Office and Management	10	7
Freight Forwarding	<u>47</u>	<u>28</u>
	57	35
	==	==
Staff Costs during the year amounted to:	<u>£</u>	<u>£</u>
Wages & Salaries	589,083	351,922
Social Security Costs	52,248	30,856
Other Pension Costs	<u>14,535</u>	<u>8,546</u>
	655,866	391,324
	=====	=====
6. TAXATION OF PROFIT (LOSS) ON ORDINARY ACTIVITIES	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Based on the Profit (Loss) for the year		
Corporation Tax at 35%	37,000	-
Deferred Taxation	<u>3,500</u>	-
	40,500	-
Amount received from Group Company for Taxation losses	<u>12,720</u>	-
	27,780	-
	=====	=====

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1987 (cont'd)

7. TANGIBLE FIXED ASSETS

	<u>Buildings</u>	<u>Furniture & Equipment</u>	<u>Total</u>
Cost:	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January 1987	1	56,623	56,624
Additions	-	19,213	19,213
Disposals	-	(236)	(236)
	<hr/>	<hr/>	<hr/>
At 31 December 1987	1	75,600	75,601
Depreciation:			
At 1 January 1987	-	23,510	23,510
Disposals	-	(67)	(67)
Provided During Year	-	10,136	10,136
	<hr/>	<hr/>	<hr/>
At 31 December 1987	-	33,579	33,579
Net Book Value at 31 December 1987	£ 1 =====	£42,021 =====	£42,022 =====
Net Book Value at 31 December 1986	£ 1 =====	£33,113 =====	£33,114 =====

8. DEBTORS

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Trade Debtors	817,875	431,469
Other Taxes recoverable	35,178	43,725
Prepayments	29,140	27,616
	<hr/>	<hr/>
	882,193 =====	502,810 =====

9. CREDITORS

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Amounts falling due within one year:		
Trade Creditors	746,454	277,941
Amount due to Holding Company	219	212,869
Amount due to other Group Companies	73,297	75,863
Corporation Tax	37,000	-
Other Taxes and Social Security Costs	19,331	11,455
Accruals	14,628	30,797
	<hr/>	<hr/>
	890,929 =====	608,925 =====

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1987 (cont'd)

10.	DEFERRED TAXATION	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
	Deferred Taxation provided in the accounts is as follows:-		
	Capital Allowances in Advance of Depreciation	3,500	3,782
	Taxation losses carried forward (part)	-	(3,782)
		<u>3,500</u> =====	<u>-</u> =====
11.	SHARE CAPITAL		
		<u>Authorised</u> <u>No.</u>	<u>Allotted, Issued and Fully paid</u> <u>£</u>
	Ordinary Shares of £1 each	100,000 =====	1,000 =====
12.	CAPITAL COMMITMENTS		
		<u>1987</u>	<u>1986</u>
	Contracted	£ - =====	£ - =====
	Authorised but not Contracted	£ - =====	£ - =====
13.	ULTIMATE HOLDING COMPANY		
	The ultimate holding company is Arkstar Limited, incorporated in England.		
14.	PENSION SCHEME		
	Contributions to the Company's pension scheme are made at rates recommended by the actuaries to meet obligations arising from both past and current service and are charged against profits in the year in which they are made.		