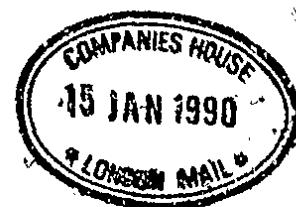


ATLASAIR PARCELS SERVICE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

For the Year Ended 31st December 1988



ATLASAIR PARCELS SERVICE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 1988

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £418,398 (1987 - £79,342).

A dividend of £440,000 was paid in respect of the year.

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 Parcel Service of America Inc (UPS), offering export and import express door to door parcel services. On the 22nd December 1988 UPS acquired the whole of the issued share capital of the holding company, Arkstar Limited.

Both volumes of traffic and profitability increased during the year particularly as a result of the service expansion to forty countries in October 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, Arkstar Limited, 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. Long

Directors' remuneration was £ NIL (1987 - £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)

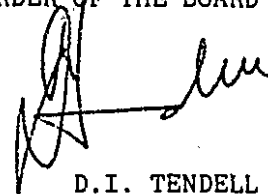
DISABLED PERSONS

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 any employee should become disabled while in our employment every effort is made to ensure continuing employment within the Company.

AUDITORS

Lionel H. Lemon & Co. propose to resign as auditors from the date of the Annual General Meeting. A resolution to appoint Touche Ross as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



D.I. TENDELL  
Secretary

22nd March 1989

AUDITORS' REPORT TO THE MEMBERS

OF

ATLASAIR PARCELS SERVICE LIMITED

We have audited the accounts on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st December 1988 and of the profit and source and application of funds of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985. "

LONDON

*Lionel H. Lemon & Co.*

LIONEL H. LEMON & CO.,

CHARTERED ACCOUNTANTS

22nd March 1989

ATLASAIR PARCELS SERVICE LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1988

		<u>1988</u>	<u>1987</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
TURNOVER	2	6,572,144	3,804,102
Cost of Sales	3	<u>4,751,089</u>	<u>3,181,064</u>
Gross Profit		1,821,055	623,038
Distribution Costs and Administrative Expenses	3	<u>1,165,880</u>	<u>505,683</u>
OPERATING PROFIT	3	655,175	177,355
Interest Receivable		-	31
Interest Payable	4	<u>-</u>	<u>(10,264)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	655,175	107,122
Taxation on Profit on Ordinary Activities	6	<u>236,777</u>	<u>27,780</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		418,398	79,342
Dividend	7	<u>440,000</u>	<u>-</u>
		(21,602)	79,342
Retained Profit(Deficit) brought forward		<u>51,349</u>	<u>(27,993)</u>
RETAINED PROFIT CARRIED FORWARD		<u>29,747</u>	<u>51,349</u>

The notes on pages 7 to 12 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED

BALANCE SHEET AT 31ST DECEMBER 1988

		<u>1988</u>	<u>1987</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
FIXED ASSETS:			
Tangible Assets	8	63,796	<u>42,022</u>
CURRENT ASSETS:			
Debtors	9	1,783,091	882,193
Cash at Bank and in Hand		<u>119,856</u>	<u>22,563</u>
		1,902,947	904,756
Amounts Falling Due Within One Year	10	<u>1,931,646</u>	<u>890,929</u>
NET CURRENT ASSETS (LIABILITIES)		<u>(28,699)</u>	<u>13,827</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		35,097	55,849
PROVISION FOR LIABILITIES AND CHARGES:			
Deferred Taxation	11	<u>4,350</u>	<u>3,500</u>
		<u>30,747</u>	<u>52,349</u>
CAPITAL AND RESERVES:			
Called up Share Capital	12	1,000	1,000
Profit & Loss Account		<u>29,747</u>	<u>51,349</u>
		<u>30,747</u>	<u>52,349</u>

A.S. KEATING ...

D.I. TENDELL ...

22nd March 1989

DIRECTORS

The notes on pages 7 to 12 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>£</u>	<u>1988</u>	<u>£</u>	<u>1987</u> <u>£</u>
Source of Funds:				
Profit on Ordinary Activities before Taxation		655,175		107,122
Adjustment for Items not involving the movement of Working Capital:				
Depreciation		<u>14,693</u>		<u>10,136</u>
TOTAL GENERATED FROM OPERATIONS		669,858		117,258
Funds from other Sources:				
Proceeds from sale of Tangible Fixed Assets		<u>3,989</u>		<u>169</u>
		673,857		117,427
Application of Funds:				
Purchase of Tangible Fixed Assets	40,456			19,213
Taxation Paid	35,927			-
Dividend Paid	<u>440,000</u>	<u>516,383</u>		<u>-</u>
Working Capital - Increase		<u>157,474</u>		<u>98,214</u>
Components of Increase in Working Capital:				
Debtors		900,898		366,663
Creditors		<u>(840,717)</u>		<u>(245,004)</u>
		60,181		121,659
Movement in Net Liquid Funds:				
Cash at Bank and in Hand		<u>97,293</u>		<u>(23,445)</u>
		<u>157,474</u>		<u>98,214</u>

The notes on pages 7 to 12 form part of these accounts.

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988

Events relating to the year ended 31st December 1988, which occurred before 22nd March 1989, 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.



ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988 (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 were wholly attributable to the provision of services within the United Kingdom as forwarders and customs clearance agents.

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
TURNOVER	6,572,144	3,804,102
PRE-TAX PROFIT	655,175	107,122

3. OPERATING PROFIT

Profit is stated after charging or crediting:

Cost of Sales:

Depreciation	3,331	2,107
Hire of Plant	123,694	91,904
Other Costs	<u>4,624,064</u>	<u>3,087,053</u>
	<u>4,751,089</u>	<u>3,181,064</u>

Distribution costs & administrative expenses:

Auditors' Remuneration	13,300	6,000
Depreciation	11,362	8,029
Hire of Plant	28,099	18,158
Other Expenses	<u>1,113,119</u>	<u>473,496</u>
	<u>1,165,880</u>	<u>505,683</u>

4. INTEREST PAYABLE

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

External	-	21
Inter-Group	-	<u>10,243</u>
		<u>10,264</u>

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988 (cont'd)

	<u>1988</u>	<u>1987</u>
5. EMPLOYEES	<u>No.</u>	<u>No.</u>
The average weekly number of employees during the year was made up as follows:-		
Office and Management	13	10
Freight Forwarding	<u>69</u>	<u>47</u>
	82	57
	<u>      </u>	<u>      </u>
Staff Costs during the year amounted to:	<u>£</u>	<u>£</u>
Wages & Salaries	919,468	589,083
Social Security Costs	72,033	52,248
Other Pension Costs	<u>25,298</u>	<u>14,535</u>
	<u>1,016,799</u>	<u>655,866</u>
6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Based on the Profit for the year		
Corporation tax at 35%	237,000	37,000
Prior Year Adjustment	(1,073)	-
Deferred Taxation	<u>850</u>	<u>3,500</u>
	236,777	40,500
Amount received from Group Company for Taxation losses	<u>-</u>	<u>12,720</u>
	<u>236,777</u>	<u>27,780</u>
7. DIVIDEND		
Dividend for the Year	<u>440,000</u>	<u>-</u>

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988 (cont'd)

8. TANGIBLE FIXED ASSETS

	<u>Buildings</u>	<u>Furniture &amp; Equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cost:			
At 1st January 1988	1	75,600	75,601
Additions	-	40,456	40,456
Disposals	<u>(1)</u>	<u>(24,630)</u>	<u>(24,631)</u>
At 31st December 1988	<u>-</u>	<u>91,426</u>	<u>91,426</u>
Depreciation:			
At 1st January 1988	-	33,579	33,579
Disposals	-	(20,642)	(20,642)
Provided During Year	<u>-</u>	<u>14,693</u>	<u>14,693</u>
At 31st December 1988	<u>-</u>	<u>27,630</u>	<u>27,630</u>
Net Book Value at 31st December 1988	<u>-</u>	<u>63,796</u>	<u>63,796</u>
Net Book Value at 31st December 1987	<u>1</u>	<u>42,021</u>	<u>42,022</u>

9. DEBTORS

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Trade Debtors	901,157	817,875
Amount due from Ultimate Holding Company	762,477	-
Other Taxes recoverable	106,194	35,178
Prepayments	<u>13,263</u>	<u>29,140</u>
	<u>1,783,091</u>	<u>882,193</u>

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988 (cont'd)

10. CREDITORS

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Amounts falling due within one year:		
Trade Creditors	379,651	746,454
Amount due to Holding Company	665,665	219
Amount due to other Group Companies	514,330	73,297
Corporation Tax	237,000	37,000
Other Taxes and		
Social Security Costs	32,693	19,331
Accruals	<u>102,307</u>	<u>14,628</u>
	<u>1,931,646</u>	<u>890,929</u>

11. DEFERRED TAXATION

Deferred Taxation provided in the accounts is as follows:-

Capital Allowance in Advance of Depreciation	<u>4,350</u>	<u>3,500</u>
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12. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, Issued and Fully Paid</u>	
	<u>1988</u> <u>No.</u>	<u>1987</u> <u>No.</u>	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>1,000</u>	<u>1,000</u>

13. CAPITAL COMMITMENTS

	<u>1988</u>	<u>1987</u>
Contracted	<u>-</u>	<u>-</u>
Authorised but not Contracted	<u>-</u>	<u>-</u>

ATLASAIR PARCELS SERVICE LIMITED

NOTES TO THE ACCOUNTS AT 31ST DECEMBER 1988 (cont'd)

14. ULTIMATE HOLDING COMPANY

The ultimate holding company is United Parcel Service of America Inc., incorporated in U.S.A.

15. 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 profit in the year in which they are made.