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Report of the Directors and

Financial Statements

for the Year Ended 31 December 2002

for

Charles Kendall Freight Limited

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Charles Kendall Freight Limited

Report of the Directors
for the Year Ended 31 December 2002

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

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of international freight forwarders and export packers.

REVIEW OF BUSINESS
The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS
The directors do not propose a dividend for the year (2001 - £nil). If this recommendation is approved, the loss for the year of £459,252 will be taken to reserves.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors during the year were:

J M Kendall
J F M Monkhouse
G F Cecil
D Pook
P Sunderland
I G Jenkins

J M Kendall is also a director of Charles Kendall & Partners (Investments) Limited, of which the company is a wholly owned subsidiary undertaking and his share interests are disclosed in the accounts of that company.

The other directors hold no beneficial interest in shares of the company or in any other company in the group.

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.

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.

ON BEHALF OF THE BOARD:

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G P Mitchell - Secretary

Date: 20/3/04

Report of the Independent Auditors to the Shareholders of Charles Kendall Freight Limited

We have audited the financial statements of Charles Kendall Freight Limited for the year ended 31 December 2002 on pages three to nine. 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 one 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 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Roffe Swayne
Registered Auditors &
Chartered Accountants
Ashcombe Court
Woolsack Way
Godalming, Surrey
GU7 1LQ

Date: 31 March 2004

Charles Kendall Freight Limited

Profit and Loss Account
for the Year Ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	2	21,920,190	20,012,347
Cost of sales		16,629,522	15,375,395
GROSS PROFIT		5,290,668	4,636,952
Administrative expenses		6,026,271	5,514,141
		(735,603)	(877,189)
Other operating income		146,768	95,124
OPERATING LOSS	4	(588,835)	(782,065)
Interest receivable and similar income		-	2,175
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(588,835)	(779,890)
Tax on loss on ordinary activities	5	(129,583)	(226,380)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(459,252)	(553,510)
(Deficit)/Retained profit brought forward		(320,221)	233,289
DEFICIT CARRIED FORWARD		£(779,473)	£(320,221)

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 losses for the current and previous years.

The notes form part of these financial statements

Charles Kendall Freight Limited

Balance Sheet
31 December 2002

	Notes	2002 £	2001 £
CURRENT ASSETS:			
Debtors	6	6,488,375	5,420,984
Cash at bank		206,933	281,409
		6,695,308	5,702,393
CREDITORS: Amounts falling due within one year	7	6,702,507	5,850,340
NET CURRENT LIABILITIES:		(7,199)	(147,947)
TOTAL ASSETS LESS CURRENT LIABILITIES:		(7,199)	(147,947)
CREDITORS: Amounts falling due after more than one year	8	600,000	-
		£(607,199)	£(147,947)
CAPITAL AND RESERVES:			
Called up share capital	10	16,920	16,920
Share premium	11	155,354	155,354
Profit and loss account		(779,473)	(320,221)
SHAREHOLDERS' FUNDS:	15	£(607,199)	£(147,947)

ON BEHALF OF THE BOARD:

.....

J F M Monkhouse - Director

Approved by the Board on 30th March 2004

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Going Concern
These financial statements have been prepared on the going concern basis which assumes that the company will continue to receive financial support from the Charles Kendall Group of Companies.

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

Turnover
Turnover consists of total value, exclusive of import duty and value added tax, of goods and services supplied during the year.

Operating leases
Rentals paid under operating leases are charges to the profit and loss account as incurred.

Pensions
The cost to the company of it's pension contribution to a Group Personal Pension Plan is charged to the profit and loss account as incurred.

Foreign exchange
Transactions denominated in foreign currencies are translated into sterling and recorded at a rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

The analysis of turnover by geographical market is as follows:-

	2002	2001
	£	£
United Kingdom	14,347,896	13,745,256
Middle East	3,205,790	2,454,292
North America	2,796,005	2,365,211
Europe	450,552	110,517
Other	1,119,947	1,337,071
	21,920,190	20,012,347

3. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	3,035,955	2,618,867
Social security costs	252,032	232,690
Other pension costs	138,292	125,594
	3,426,279	2,977,151

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

	2002	2001
Freight forwarding	126	123

4. OPERATING LOSS

The operating loss is stated after charging:

	2002 £	2001 £
Auditors' remuneration	18,696	20,000
Hire charges under operating leases:		
Property	245,752	272,763
Plant and equipment	559,798	520,427
Directors' emoluments	201,937	189,462
Directors' pension contributions to money purchase schemes	15,850	16,090

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

Money purchase schemes	3	3

Information regarding the highest paid director for the year ended 31 December 2002 is as follows:

	2002 £
Emoluments etc	74,521

5. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	2002 £	2001 £
Current tax:		
UK corporation tax	(130,988)	(224,774)
(Over) / Under provision in prior years	1,405	(1,606)
Total current tax	(129,583)	(226,380)
Tax on loss on ordinary activities	(129,583)	(226,380)

UK corporation tax has been charged at 30% (2001 - 30%).

5. TAXATION - continued

Factors affecting the tax credit
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(588,835)	(779,890)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	(176,651)	(233,967)
Effects of:		
Expenses not allowed for tax purposes	8,998	7,587
Losses available for relief in future years	36,665	-
Underprovision in prior years	1,405	-
Current tax credit	(129,583)	(226,380)

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	5,946,181	4,981,372
Other debtors	213,530	155,929
Amounts owed by group undertakings	196,366	4,459
Group relief recoverable	132,298	279,224
	6,488,375	5,420,984

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	4,821,584	4,011,856
Unpresented cheques	279,605	221,445
Amounts owed to group undertakings	1,600,491	1,616,009
Accruals	827	1,030
	6,702,507	5,850,340

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

	2002 £	2001 £
Amounts owed to group undertakings	600,000	-
	600,000	-

9. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	Operating leases	
	2002	2001
	£	£
Expiring:		
Within one year	86,118	4,650
Between one and five years	118,476	218,694
In more than five years	7,890	7,890
	212,484	231,234

10. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
16,920	Ordinary	£1	16,920	16,920

11. SHARE PREMIUM

	2002	2001
	£	£
Brought forward and carried forward	155,354	155,354

12. PENSION COMMITMENTS

Details of the company's pension arrangements are disclosed in the accounts of the ultimate parent company. The pension cost charge represents contributions payable by the company and amounts to £138,292 (2001 - £125,594).

13. RELATED PARTY DISCLOSURES

There have been no related party transactions that require disclosure in the year ended 31 December 2002.

Exemption has been taken from the requirement to disclose related party inter-company transactions within the Charles Kendall group of companies as permitted by Financial Reporting Standard Number 8.

14. POST BALANCE SHEET EVENTS

On 22 February 2004, the company increased the authorised share capital from 16,920 to 700,000 ordinary shares of £1 each and issued at par 683,080 additional shares to its parent.undertaking.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(459,252)	(553,510)
Net reduction of shareholders' funds	(459,252)	(553,510)
Opening shareholders' funds	(147,947)	405,563
Closing shareholders' funds	(607,199)	(147,947)
Equity interests	(607,199)	(147,947)

16. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Charles Kendall & Partners (Investments) Limited, a company incorporated in England.

17. CONTROLLING PARTIES

Details of the controlling parties are disclosed in the directors' report of the ultimate parent company.