

HUNT AND PALMER PLC

Company No: 2027063

FINANCIAL STATEMENTS

- for the year ended -

30 NOVEMBER 1998

GOODMAN JONES

Chartered Accountants
29/30 Fitzroy Square
London, W1P 6LQ

Reference PHW/3739/MPGA



HUNT AND PALMER PLC

DIRECTORS

P.R. Hunt
J.F. Palmer
J.S. Martin

SECRETARY

J.F. Palmer

BUSINESS ADDRESS

32/34 Great Titchfield Street
London
W1P 8HP

REGISTERED OFFICE

29/30 Fitzroy Square
London
W1P 6LQ

AUDITORS

Goodman Jones
Chartered Accountants
29/30 Fitzroy Square
London
W1P 6LQ

PRINCIPAL BANKERS

National Westminster Bank plc
125 Great Portland Street
London
W1A 1GA

HUNT AND PALMER PLC

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HUNT AND PALMER PLC

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 30 November 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of air brokers.

The company has had another excellent year with a significant increase in turnover and gross profit.

There has been a significant increase in salary costs reflecting further investment in staff to cope with the continued expansion in activities.

During the year profits were reduced by an exceptional bad debt. If not for this profits before tax would have shown a significant increase in comparison to the previous year.

YEAR 2000 ISSUE

The directors have carried out a full review of internal accounting systems and procedures with regard to the Year 2000 issue. As a result of this review, they can foresee no uncertainties or further costs that the company is likely to incur.

DIVIDENDS

The directors have paid an interim dividend amounting to £90,000, and they recommend payment of a final dividend amounting to £150,000.

POLICY ON PAYMENT OF CREDITORS

The company's policy is to settle their outstanding trade creditors within the terms of the individual supplier.

The average number of days credit taken for trade purchases for the year ended 30 November 1998 was 22 days.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the company at that date and at the beginning of the year (or on appointment if later), were as follows:

	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1998</u>	<u>1997</u>
P.R. Hunt	Ordinary shares	16,667	16,667
J.F. Palmer	Ordinary shares	16,667	16,667
J.S. Martin	Ordinary shares	16,667	16,667

HUNT AND PALMER PLC

REPORT OF THE DIRECTORS (Continued)

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;
- follow applicable accounting standards, 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.

CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions totalling £261.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Goodman Jones, Chartered Accountants, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Date:

10 May 1989

By Order of the Board

[Signature]
Secretary

HUNT AND PALMER PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF
HUNT AND PALMER PLC

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described on the Directors' Report the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

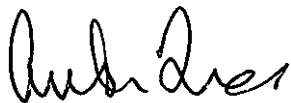
Basis of opinion

We conducted our audit in accordance with 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 affairs of the company as at 30 November 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GOODMAN JONES
Chartered Accountants
Registered Auditors

29/30 Fitzroy Square
London
W1P 6LQ

Date: 10 May 1999

HUNT AND PALMER PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 1998**

	Notes	1998 £	1997 £
TURNOVER	2	23,100,917	16,831,912
Cost of sales		(20,938,354)	(15,132,683)
GROSS PROFIT		2,162,563	1,699,229
Administrative expenses		(1,804,754)	(1,343,709)
OPERATING PROFIT	3	357,809	355,520
Income from investments	4	56,670	36,363
Interest payable	5	(4,829)	(5,679)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		409,650	386,204
Tax on profit on ordinary activities	8	(99,189)	(90,883)
PROFIT FOR THE FINANCIAL YEAR		310,461	295,321
Dividends	9	(240,000)	(200,000)
RETAINED PROFIT FOR THE YEAR	18	70,461	95,321

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 18 form part of these financial statements.

HUNT AND PALMER PLC

BALANCE SHEET AT 30 NOVEMBER 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	10	265,011	173,202
Investments (related undertakings)	11	2	2
Investments (other)	12	2,165	2,103
		267,178	175,307
CURRENT ASSETS			
Debtors	13	3,889,263	2,250,088
Cash at bank and in hand		1,551,213	844,632
		5,440,476	3,094,720
CREDITORS: Amounts falling due within one year	14	(5,364,326)	(2,993,304)
		76,150	101,416
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		343,328	276,723
CREDITORS: Amounts falling due after more than one year	15	(22,417)	(26,273)
		320,911	250,450
CAPITAL AND RESERVES			
Called up share capital	17	50,001	50,001
Profit and loss account	18	270,910	200,449
SHAREHOLDERS FUNDS	19	320,911	250,450

The financial statements were approved
by the board on 19.11.98
and signed on its behalf by

.....)
.....) Directors
.....)

The notes on pages 7 to 18 form part of these financial statements.

HUNT AND PALMER PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 1998**

	Notes	1998 £	1997 £
CASH FLOW FROM OPERATING ACTIVITIES	20	1,010,622	613,943
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21	25,213	13,368
TAXATION		(57,317)	(103,080)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21	(135,043)	(51,281)
EQUITY DIVIDENDS PAID		(90,000)	(400,000)
Cash inflow before use of liquid resources and financing		753,475	72,950
FINANCING	21		
Decrease in debt		(46,894)	(42,944)
		(46,894)	(42,944)
INCREASE IN CASH IN THE YEAR		706,581	30,006

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	22		
INCREASE IN CASH IN THE YEAR		706,581	30,006
Cash outflow from decrease in lease financing		46,894	42,944
Change in net funds resulting from cash flows		753,475	72,950
New finance leases		(31,486)	(42,395)
Movement in net funds in the year		721,989	30,555
Net funds at 1 December 1997		779,569	749,014
Net funds at 30 November 1998		1,501,558	779,569

The notes on pages 7 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

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

1.2 TURNOVER

Turnover represents the total invoice value, excluding value added tax, of services rendered during the year.

1.3 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Fixtures and fittings	20%	Reducing balance
Motor vehicles	25%	Reducing balance

1.4 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.5 FOREIGN EXCHANGE

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the profit and loss account.

1.6 LEASING AND HIRE PURCHASE

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

1.7 PENSIONS

Pension contributions are charged to the profit and loss account as incurred. These contributions are invested separately from the company's assets.

HUNT AND PALMER PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998**

2. TURNOVER	1998	1997
	£	£
Analysis by:-		
Geographical market		
United Kingdom	16,752,812	8,866,122
Europe	4,429,606	6,057,353
Rest of World	1,918,499	1,908,437
	23,100,917	16,831,912
 3. OPERATING PROFIT	 1998	 1997
	£	£
The operating profit is stated after charging:		
Depreciation	73,974	51,630
Auditors' remuneration:		
Audit services	7,750	7,500
Non-audit services	8,939	7,371
Operating lease rentals:		
Land and buildings	44,770	29,986
and after crediting:		
Profit on foreign currencies	10,674	(103,305)
 4. INCOME FROM INVESTMENTS	 1998	 1997
	£	£
Bank and other interest receivable	56,269	36,136
Income from investments	401	227
	56,670	36,363
 5. INTEREST PAYABLE	 1998	 1997
	£	£
On bank loans and overdrafts	113	-
Hire purchase interest	4,716	5,679
	4,829	5,679

HUNT AND PALMER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

6. DIRECTORS AND EMPLOYEES

	1998	1997
	£	£
Staff costs:		
Wages and salaries	874,952	602,390
Social security costs	90,797	63,739
Other pension costs	90,500	105,000
	1,056,249	771,129

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

	Number	Number
Administration	25	17

Directors' emoluments:

	£	£
Remuneration for management services	291,724	226,999
Pension contributions	90,500	105,000
	382,224	331,999

The number of directors for whom payments have been made into the following pension schemes:

	Number	Number
Money purchase	3	3
	3	3

The division of directors' emoluments is as follows:

	£	£
Highest paid director	106,231	80,509
Highest paid director pension costs	30,167	35,000
	136,398	115,509

7. PENSION COSTS

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 by the company amounted to £90,500 (1997: 105,000). All contributions were paid in the year.

HUNT AND PALMER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The taxation charge comprises:		
U.K. corporation tax at 21% (1997 - 31%)	93,476	96,604
Tax credit attributable to franked investment income	32	45
	93,508	96,649
Adjustment in respect of prior years	5,681	(5,766)
	99,189	90,883

9. DIVIDENDS

	1998 £	1997 £
Equity interests		
Ordinary:-		
Interim dividend paid	90,000	200,000
Final dividend proposed	150,000	-
	240,000	200,000

During the year an interim dividend was paid of 180 pence per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

10. TANGIBLE ASSETS

<u>Cost</u>	Beginning of year £	Additions £	Disposals £	End of year £
Fixtures and fittings	128,856	126,189	-	255,045
Motor vehicles	198,647	41,678	(11,703)	228,622
	327,503	167,867	(11,703)	483,667
<u>Depreciation</u>	Beginning of year £	Charge for year £	On disposals £	End of year £
Fixtures and fittings	55,594	39,092	-	94,686
Motor vehicles	98,707	34,883	(9,620)	123,970
	154,301	73,975	(9,620)	218,656
<u>Total net book values</u>	<u>173,202</u>			<u>265,011</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	1998 £	1997 £
Net book values:		
Motor vehicles	54,255	68,363
Depreciation charge for the year:		
Motor vehicles	18,085	22,805

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

HUNT AND PALMER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

11. INVESTMENTS - RELATED UNDERTAKINGS

<u>Cost</u>	<u>Beginning of year</u> £	<u>Additions</u> £	<u>End of year</u> £
Shares:			
Group undertaking	2	-	2
	<u>2</u>	<u>-</u>	<u>2</u>
<u>Net book value</u>	<u>2</u>		<u>2</u>

The following was a subsidiary at the balance sheet date:

	Description and proportion of share capital owned	Country of incorporation	Nature of business
Subsidiary undertaking			
Hunt and Palmer (Projects) Ltd.	Ordinary 100%	England	Dormant

Consolidated financial statements have not been prepared since the directors do not consider the subsidiary to be material to the group for the purpose of giving a true and fair view.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

12. INVESTMENTS - OTHER

<u>Cost</u>	<u>Beginning of year £</u>	<u>Additions £</u>	<u>End of year £</u>
Other investments other than loans	2,103	62	2,165
	<u>2,103</u>	<u>62</u>	<u>2,165</u>
<u>Net book value</u>	<u>2,103</u>		<u>2,165</u>

<u>Other investments other than loans</u>	<u>1998</u>		<u>1997</u>	
	<u>Cost £</u>	<u>Market value £</u>	<u>Cost £</u>	<u>Market value £</u>
Listed	2,165	5,362	2,103	4,586

13. DEBTORS

	<u>1998 £</u>	<u>1997 £</u>
Trade debtors	2,910,339	1,631,414
Other debtors	32,571	20,725
Advance corporation tax	22,500	-
Prepayments and accrued income	923,853	597,949
	<u>3,889,263</u>	<u>2,250,088</u>

14. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR

	<u>1998 £</u>	<u>1997 £</u>
Trade creditors	1,493,908	790,034
Proposed dividend	150,000	-
Corporation tax	115,976	51,604
Other taxes and social security costs	31,973	23,280
Net obligations under finance lease and hire purchase contracts	27,236	38,790
Directors' current accounts	53,886	30
Other creditors	135,662	106,650
Accruals and deferred income	3,355,685	1,982,916
	<u>5,364,326</u>	<u>2,993,304</u>

HUNT AND PALMER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1998 £	1997 £
Net obligations under finance leases and hire purchase contracts	22,417	26,273
	<u>22,417</u>	<u>26,273</u>
16. NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS	1998 £	1997 £
<u>The company's net obligations under finance leases and hire purchase contracts are repayable as follows:</u>		
In one year, or less or on demand	30,971	42,676
Between one and two years	19,212	17,953
Between two and five years	4,646	10,202
	<u>54,829</u>	<u>70,831</u>
Finance charges and interest allocated to future accounting periods	(5,176)	(5,768)
	<u>49,653</u>	<u>65,063</u>
Included in current liabilities	(27,236)	(38,790)
	<u>22,417</u>	<u>26,273</u>
17. SHARE CAPITAL	1998 £	1997 £
<u>Authorised</u>		
Equity interests:		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
<u>Allotted, called up and fully paid</u>		
Equity interests:		
50,001 Ordinary shares of £1 each	50,001	50,001
	<u>50,001</u>	<u>50,001</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

18. PROFIT AND LOSS ACCOUNT

	1998	1997
	£	£
Retained profits at 1 December 1997	200,449	105,128
Retained profit for the year	70,461	95,321
Retained profits at 30 November 1998	270,910	200,449

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Profit for the financial year	310,461	295,321
Dividends	(240,000)	(200,000)
	70,461	95,321
Shareholders' funds at 1 December 1997	250,450	155,129
Shareholders' funds at 30 November 1998	320,911	250,450
Represented by:-		
Equity interests	320,911	250,450
	320,911	250,450

20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1998	1997
	£	£
Operating profit	357,809	355,520
Depreciation	73,974	51,630
Loss on disposal of fixed assets	683	-
Increase in debtors	(1,590,047)	(1,023,447)
Increase in creditors due within one year	2,168,203	1,230,240
Cash flow from operating activities	1,010,622	613,943

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	29,641	18,820
Interest paid	(113)	-
Dividends received	401	227
Interest element on hire purchase contracts	(4,716)	(5,679)
Net cash inflow from returns on investments and servicing of finance	25,213	13,368
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(136,381)	(51,224)
Purchase of other investments	(62)	(57)
Receipts from sale of tangible assets	1,400	-
Net cash outflow from capital expenditure and financial investment	(135,043)	(51,281)
Financing		
Repayment of capital on hire purchase contracts and finance leases rentals	(46,894)	(42,944)
Net cash outflow from financing	(46,894)	(42,944)

HUNT AND PALMER PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998****22. ANALYSIS OF NET FUNDS**

	Beginning of year £	1998 Cash flow £	Other movements £	End of year £
Cash at bank and in hand	844,632	706,581	-	1,551,213
Finance leases	(65,063)	46,894	(31,486)	(49,655)
	<u>779,569</u>	<u>753,475</u>	<u>(31,486)</u>	<u>1,501,558</u>

The movement in net funds includes £27,238 of leases reclassified from liabilities falling due after more than one year to liabilities falling due within one year.

Other movements	Other non-cash changes £	Exchange movements £	Net movements £
Finance leases	(31,486)	-	(31,486)
	<u>(31,486)</u>	<u>-</u>	<u>(31,486)</u>

23. MAJOR NON-CASH TRANSACTIONS

During the year, the company entered into finance lease agreements in respect of assets with a total capital value at the inception of the lease of £31,486.

24. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

<u>Land and buildings</u>	1998 £	1997 £
Expiry date:		
Between one and five years	26,500	26,500
After five years	43,500	-
	<u>69,999</u>	<u>26,500</u>

HUNT AND PALMER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 1998

25. CAPITAL COMMITMENTS

	1998	1997
	£	£
Details of capital commitments at the accounting date are as follows:-		
Contracted for but not provided in the financial statements	24,000	-

26. CONTROL

The company is controlled by the directors as disclosed in the directors' report.

27. RELATED PARTY DISCLOSURES

During the year the company paid rent of £14,500 (1997: £nil) to The Hunt & Palmer Plc Retirement Benefits Scheme, a scheme which is under the control of the directors.