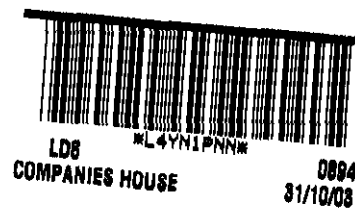


Company Registration No. 4052642 (England and Wales)

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

COMPANY INFORMATION

Director	M Perol
Secretary	P J Freyssinet
Company number	4052642
Registered office	14 Saxon Way Trading Estate, Harmondsworth West Drayton Middlesex Great Britain UB7 0LW
Auditors	Bolton Colby Fairfield House Fairfield Avenue Staines Middlesex TW18 4AQ
Business address	Unit 14, Saxon Way Trading Estate West Drayton Middlesex UB7 0LW

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

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DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2002

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AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

We have audited the financial statements of Aeroboutique Inflight Retail UK Limited on pages 3 to 13 for the year ended 31 December 2002. 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 auditor's 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 the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is responsible for the preparation of the 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 director's report 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report 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 director 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's excess of liabilities over assets. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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.

Bolton Colby

Bolton Colby

Chartered Accountants

Registered Auditor

31 October 2003.

Fairfield House
Fairfield Avenue
Staines
Middlesex
TW18 4AQ

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	9,952,135	12,152,083
Cost of sales		(4,922,878)	(6,066,247)
Gross profit		5,029,257	6,085,836
Distribution costs		(3,751,093)	(4,297,795)
Administrative expenses		(1,452,700)	(1,566,389)
Operating (loss)/profit	3	(174,536)	221,652
Other interest receivable and similar income		318	-
(Loss)/profit on ordinary activities before taxation		(174,218)	221,652
Tax on (loss)/profit on ordinary activities	4	(116,788)	(67,098)
(Loss)/profit on ordinary activities after taxation		(291,006)	154,554
Dividends	5	(142,057)	-
Retained (loss)/profit for the year	13	(433,063)	154,554

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.


AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	6		197,962		332,456
Current assets					
Stocks	7	869,470		841,675	
Debtors	8	724,254		1,023,154	
Cash at bank and in hand		671,366		303,884	
		2,265,090		2,168,713	
Creditors: amounts falling due within one year	9	(1,309,389)		(1,103,403)	
Net current assets			955,701		1,065,310
Total assets less current liabilities			1,153,663		1,397,766
Creditors: amounts falling due after more than one year	10		(1,432,171)		(1,243,211)
			(278,508)		154,555
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account	13		(278,509)		154,554
Shareholders' funds - equity interests	14		(278,508)		154,555

The financial statements were approved by the Board on August 27, 2003

M Perol
Director



AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		290,669		(418,965)
Returns on investments and servicing of finance				
Interest received	318		-	
Net cash inflow/(outflow) for returns on investments and servicing of finance		318		-
Taxation		(79,578)		-
Capital expenditure				
Payments to acquire tangible assets	(39,116)		(520,363)	
Net cash outflow for capital expenditure		(39,116)		(520,363)
Equity dividends paid		(142,057)		-
Net cash inflow/(outflow) before management of liquid resources and financing		30,236		(939,328)
Financing				
Issue of ordinary share capital	-		1	
Other new long term loans	188,959		1,243,211	
Other new short term loans	148,287		-	
Net cash inflow from financing		337,246		1,243,212
Increase in cash in the year		367,482		303,884

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

1	Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities	2002	2001
		£	£
	Operating (loss)/profit	(174,536)	221,652
	Depreciation of tangible assets	171,944	187,907
	Loss on disposal of tangible assets	1,667	-
	Increase in stocks	(27,795)	(841,675)
	Decrease/(increase) in debtors	321,339	(1,010,656)
	(Decrease)/Increase in creditors within one year	(1,950)	1,023,807
	Net cash inflow/(outflow) from operating activities	290,669	(418,965)

2	Analysis of net debt	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	303,884	367,482	-	671,366
	Debt:				
	Debts falling due within one year	-	(148,287)	-	(148,287)
	Debts falling due after one year	(1,243,211)	(188,960)	-	(1,432,171)
		(1,243,211)	(337,247)	-	(1,580,458)
	Net debt	(939,327)	30,235	-	(909,092)

3	Reconciliation of net cash flow to movement in net debt	2002	2001
		£	£
	Increase in cash in the year	367,482	303,884
	Cash inflow from increase in debt	(337,247)	(1,243,211)
	Movement in net debt in the year	30,235	(939,327)
	Opening net debt	(939,327)	-
	Closing net debt	(909,092)	(939,327)

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has made a loss during the year and currently shows an excess of liabilities over assets on its balance sheet. It is anticipated that in the next 12 months the company will generate a profit and its financial position will improve. If the company does not generate sufficient revenue to fund its continuing operations then it may not be a going concern.

Due to the availability of banking facilities and the ongoing support of the company's parent undertaking, the directors believe that it is appropriate to prepare the financial statements on a going concern basis which assumes that the company will continue in existence for the foreseeable future.

If the company were unable to continue in existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	33 % Straight line basis
Fixtures, fittings & equipment	33 % Straight line basis

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

3	Operating (loss)/profit	2002	2001
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	171,944	187,907
	Loss on disposal of tangible assets	1,667	-
	Loss on foreign exchange transactions	-	16,180
	Operating lease rentals	79,144	58,017
	Auditors' remuneration	7,500	4,100
	and after crediting:		
	Profit on foreign exchange transactions	(7,622)	-
		<u> </u>	<u> </u>
4	Taxation	2002	2001
		£	£
	Domestic current year tax		
	U.K. corporation tax	139,227	79,596
		<u> </u>	<u> </u>
	Current tax charge	139,227	79,596
	Deferred tax		
	Deferred tax charge/credit current year	(22,439)	(12,498)
		<u> </u>	<u> </u>
		116,788	67,098
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(174,218)	221,652
		<u> </u>	<u> </u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00 % (2001 : 30.00 %)	(52,265)	66,496
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	101	142
	Depreciation add back	52,083	56,372
	Capital allowances	(31,442)	(43,414)
	Provision add back	170,750	-
		<u> </u>	<u> </u>
		191,492	13,100
		<u> </u>	<u> </u>
	Current tax charge	139,227	79,596
		<u> </u>	<u> </u>

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

5	Dividends	2002 £	2001 £
	Ordinary interim paid	142,057	-

The dividend was declared from 2001 retained reserves. At the time this was declared, the company had sufficient distributable profits.

6 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2002	434,508	85,855	520,363
Additions	5,143	38,427	43,570
Disposals	-	(4,453)	(4,453)
At 31 December 2002	439,651	119,829	559,480
Depreciation			
At 1 January 2002	164,859	23,048	187,907
On disposals	-	(2,786)	(2,786)
Charge for the year	142,538	33,859	176,397
At 31 December 2002	307,397	54,121	361,518
Net book value			
At 31 December 2002	132,254	65,708	197,962
At 31 December 2001	269,649	62,807	332,456

7	Stocks	2002 £	2001 £
	Finished goods and goods for resale	869,470	841,675

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

8 Debtors	2002	2001
	£	£
Trade debtors	311,495	180,879
Other debtors	264,607	742,737
Prepayments and accrued income	113,215	87,040
Deferred tax asset (see note 11)	34,937	12,498
	<u>724,254</u>	<u>1,023,154</u>
 9 Creditors: amounts falling due within one year	 2002	 2001
	£	£
Trade creditors	683,342	997,859
Corporation tax	139,245	79,596
Other taxes and social security costs	7,828	11,087
Other creditors	148,287	-
Accruals and deferred income	330,687	14,861
	<u>1,309,389</u>	<u>1,103,403</u>
 10 Creditors: amounts falling due after more than one year	 2002	 2001
	£	£
Other loans	<u>1,432,171</u>	<u>1,243,211</u>
 Analysis of loans		
Wholly repayable within five years	<u>1,580,458</u>	<u>1,243,211</u>
	1,580,458	1,243,211
Included in current liabilities	<u>(148,287)</u>	<u>-</u>
	<u>1,432,171</u>	<u>1,243,211</u>
 Loan maturity analysis		
In more than one year but not more than two years	<u>1,432,171</u>	<u>1,243,211</u>

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

11 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 8) is made up as follows:

	2002 £
Balance at 1 January 2002	(12,498)
Profit and loss account	(22,439)
Balance at 31 December 2002	<u>(34,937)</u>

	2002 £	2001 £
Accelerated capital allowances	<u>(34,937)</u>	<u>(12,498)</u>

12 Share capital

	2002 £	2001 £
Authorised		
1,000 Ordinary £1 shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary £1 shares of £ 1 each	<u>1</u>	<u>1</u>

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2002	154,554
Retained loss for the year	<u>(433,063)</u>
Balance at 31 December 2002	<u>(278,509)</u>

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

14 Reconciliation of movements in shareholders' funds	2002 £	2001 £
(Loss)/Profit for the financial year	(291,006)	154,554
Dividends	(142,057)	-
	<hr/>	<hr/>
Proceeds from issue of shares	(433,063)	154,554
	-	1
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(433,063)	154,555
Opening shareholders' funds	154,555	-
	<hr/>	<hr/>
Closing shareholders' funds	(278,508)	154,555
	<hr/>	<hr/>

15 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2002	2001	2002	Other 2001
	£	£	£	£
Expiry date:				
Within one year	71,420	-	-	-
Between two and five years	-	71,420	4,555	4,555
	<hr/>	<hr/>	<hr/>	<hr/>
	71,420	71,420	4,555	4,555
	<hr/>	<hr/>	<hr/>	<hr/>

AEROBOUTIQUE INFLIGHT RETAIL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Management	2	2
Warehouse & Operations	14	16
	<u>16</u>	<u>18</u>

Employment costs

	£	£
Wages and salaries	313,145	423,290
Social security costs	28,281	40,527
	<u>341,426</u>	<u>463,817</u>

17 Control

The immediate parent company is Aeroboutique Inflight Retail SA, a company registered in France, and the ultimate parent company is Lagardere SCA, a company registered in France.

Lagardere SCA prepares group financial statements and copies can be obtained from - 4 Rue de Presbourg 75 116 Paris, France.