

TNT Europe Limited

Directors' report and financial statements

27 December 2003

Registered number 1098754



Directors' report and financial statements

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Directors' report

The Directors present their report, together with the audited financial statements of the Company, for the year ended 27 December 2003.

Principal activities

The Company acts as a financing company. The Directors do not envisage initiating any material departure from these activities in the foreseeable future.

Results and dividend

The results for the year are shown in the profit and loss account on page 4. Dividends totalling £nil (*year ended 28 December 2002: £nil*) have been paid during the year. The Directors recommend that no further dividend be paid.

Directors

The Directors of the Company who served during the year ended 27 December 2003, and subsequently, were as follows:

JC Downing	(appointed 14 September 2004)
GF Ginty	
W V Hanley M.B.E.	(resigned 1 January 2003)
AD Jones O.B.E	(resigned 1 January 2003)
CE Lynagh	(appointed 1 January 2003, resigned 25 March 2004)
JT Yates	(resigned 1 April 2004)

Directors' interests

None of the Directors had any disclosable interest in the shares of the Company or any group company at the end of the current or preceding financial year.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 December 2003 and that applicable accounting standards have been followed.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' report *(continued)*

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint them, as auditors to the Company, will be proposed at the annual general meeting.

By order of the board


J C Downing
Director

Railway Street
Ramsbottom
Bury
Lancashire
BL0 9BF


27 October 2004

Independent auditors' report to the members of TNT Europe Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown, or in to whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts 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 Directors' 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 Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of audit 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 accounts 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 at 27 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
Date

27 October 2004

Profit and loss account
for the year ended 27 December 2003

		Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
	<i>Note</i>		
Administrative expenses		2	(7,271)
Operating profit / (loss)		2	(7,271)
Interest receivable and similar income	4	79,210	82,396
Interest payable and similar charges	5	(54,150)	(60,890)
Profit on ordinary activities before taxation	2	25,062	14,235
Tax on profit on ordinary activities	6	(7,696)	(6,806)
Retained profit for the financial year	11	17,366	7,429

In the current and preceding financial year the Company made no material acquisitions and had no discontinued operations.

In the current and preceding financial year there was no material difference between the results reported in the profit and loss account and the results on an unmodified historical cost basis.

The movement on reserves is detailed in note 11 on page 10 of these financial statements.

Statement of total recognised gains and losses
for the year ended 27 December 2003

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
Profit for the financial year	17,366	7,429
Total recognised gains and losses relating to the year	17,366	7,429
Prior year adjustment (as explained in note 1)	(11,470)	
Total gains and losses recognised since last report	5,896	

Balance sheet
as at 27 December 2003

	Note	27 December 2003		28 December 2002 (restated)	
		£000	£000	£000	£000
Current assets					
Debtors	7	1,984,321		1,598,326	
Cash at bank and in hand		-		130	
		<u>1,984,321</u>		<u>1,598,456</u>	
Creditors: amounts falling due within one year	8	<u>(1,957,358)</u>		<u>(1,588,859)</u>	
Net current assets			<u>26,963</u>		<u>9,597</u>
Net assets			<u>26,963</u>		<u>9,597</u>
Capital and reserves					
Called up share capital	10		525		525
Profit and loss account	11		26,438		9,072
Total equity shareholder's funds	9		<u>26,963</u>		<u>9,597</u>

These financial statements on pages 4 to 10 were approved by the board of Directors on ~~26~~ and were signed on its behalf by:

27 October 2004


J C Downing
Director

Notes

1 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost accounting convention as modified by the revaluation of investments in certain subsidiary companies.

Taxation (including deferred taxation)

The charge for taxation is based on the profit or loss for the financial year and takes into account deferred taxation. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not, that they will be recovered. Deferred tax assets and liabilities are not discounted.

Exemption from preparation of consolidated accounts

The financial statements present information about the Company as an individual company and not about its group. The Company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies as the results of the Company and its subsidiary companies are consolidated in TPG NV, its ultimate parent company, which is incorporated in the Netherlands.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as 90 percent or more of the voting rights of the Company's shares are controlled by TPG NV. The consolidated financial statements of TPG NV, which include the Company, are publicly available.

Prior year adjustment

Due to changes in the availability of group relief in prior years the Directors have been advised that the Company should now recognise a UK corporation tax liability, which is likely to be subject to interest and penalties. The Directors believe that any interest and penalties should be recoverable under an indemnity between TNT Post Group NV (now renamed TPG NV) and TNT Holdings (UK) Limited, the immediate parent company of the Company. The Company has not yet determined the nature, timing or amount of any claim to be made under this indemnity and, as a result, no amount has been shown in respect of these financial statements.

This change in availability of group relief has resulted in a prior year adjustment for the Company to reflect estimated interest and penalties on the tax liability. Shareholders funds have been reduced by £2,945,000 at 28 December 2001 and profit for the year ended 28 December 2002 has been reduced by £8,525,000. The adjustment to shareholders funds at 28 December 2002 is £11,470,000 (see note 9). In addition, £18,693,090 has been reclassified from Amounts owed to group undertakings to Corporation tax.

Notes (continued)

2 Profit on ordinary activities before tax

The profit on ordinary activities before tax is stated after charging the following:

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
Interest on underpaid tax	591	1,288
Estimated tax-related penalties	-	7,267
	<hr/>	<hr/>

Auditors' remuneration in relation to the Company is borne by the parent undertaking and not recharged (2002: *£nil*).

3 Directors and employees

The Company has no employees other than the Directors. During the current and preceding financial year the Directors have neither received nor waived any remuneration for their services to the Company and have not accrued any pension benefits under either defined benefit or defined contribution schemes.

4 Interest receivable and similar income

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
Interest receivable from group undertakings	79,210	82,396
	<hr/>	<hr/>

5 Interest payable and similar charges

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
Interest payable to group undertakings	53,559	59,602
Interest payable on underpaid corporation tax	591	1,288
	<hr/>	<hr/>
	54,150	60,890
	<hr/>	<hr/>

Notes (continued)

6 Tax charge on profit on ordinary activities

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
<i>Current tax:</i>		
UK corporation tax at 30% (year ended 28 December 2002: 30%)	7,696	6,836
Adjustment in respect of previous periods	-	(30)
	<hr/>	<hr/>
Total current tax	7,696	6,806
<i>Deferred tax:</i>	-	-
Total tax	<hr/> 7,696 <hr/>	<hr/> 6,806 <hr/>

Factors affecting current tax charge

The tax assessed for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000 (restated)
Profit on activities before tax	25,062	14,235
Tax on profit on ordinary activities before tax at 30% (2001: 30%)	7,518	4,271
Effects of:		
- Expenses not deductible for tax purposes	178	2,565
- Adjustment to tax charge in respect of previous periods	-	(30)
	<hr/>	<hr/>
	<hr/> 7,696 <hr/>	<hr/> 6,806 <hr/>

Factors that may affect future tax charges

There are no known factors that may affect future tax charges.

7 Debtors

	27 December 2003 £000	28 December 2002 £000 (restated)
Amounts owed by group undertakings	1,977,657	1,591,662
Group relief receivable	6,664	6,664
	<hr/>	<hr/>
	<hr/> 1,984,321 <hr/>	<hr/> 1,598,326 <hr/>

Amounts owed by group undertakings are unsecured and repayable within one year. Interest is charged at market rates.

Notes (continued)

8 Creditors: amounts falling due within one year

	27 December 2003 £000	28 December 2002 £000 (restated)
Amounts owed to group undertakings	1,912,039	1,545,477
Corporation tax	33,616	32,270
Accruals	11,703	11,112
	<u>1,957,358</u>	<u>1,588,859</u>

Amounts owed to group undertakings are unsecured and repayable within one year. Interest is charged at market rates.

The company has a policy of transferring the liability for tax losses surrendered by way of group relief through the inter-company account at the appropriate tax rate. This transfer is done after the tax return filing date when the group tax position is more certain. Any subsequent adjustments are made as required.

9 Reconciliation of movement in shareholder's funds

	27 December 2003 £000	28 December 2002 £000 (restated)
Profit for the financial year (2002: originally £15,954,000 before prior year adjustment of £8,525,000)	17,366	7,429
Opening shareholder's funds (2002: originally £5,113,000 before prior year adjustment of £2,945,000)	9,597	2,168
	<u>26,963</u>	<u>9,597</u>
Closing shareholder's funds		

10 Called up share capital

	27 December 2003 £000	28 December 2002 £000
<i>Authorised:</i>		
Equity		
100,000,000 Ordinary shares of 1p each	1,000	1,000
Non-Equity		
50,000,000 Ordinary "B" Redeemable non-voting shares of 1p each	500	500
	<u>1,500</u>	<u>1,500</u>
<i>Allotted, called up and fully paid:</i>		
Equity		
52,477,920 Ordinary shares of 1p each	525	525

Notes *(continued)*

11 Profit and loss account

	£000 (restated)
At beginning of year	9,072
Profit for the financial year	17,366
At end of year	26,438

12 Related party disclosures

The Company, being a subsidiary undertaking with 90 percent or more of the voting rights being controlled within the TPG NV, is exempt from the requirement to disclose transactions with entities that are part of this group or investees of this group qualifying as related parties.

13 Ultimate parent undertaking

The ultimate parent undertaking and controlling party of TNT Europe Limited is TPG NV, a company incorporated in the Netherlands. Copies of the consolidated financial statements of TPG NV that include TNT Europe Limited may be obtained from TPG Investor Relations, PO Box 13000, 1100 KG Amsterdam, The Netherlands.