

TNT European Airlines Limited

Directors' report and financial statements

1 January 2000

Registered number 1628529



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 53 week period ended 1 January 2000.

Principal activities

The principal activity of the company during the period was the provision of aircraft chartering and leasing services. The directors do not envisage initiating any material departure from this activity in the foreseeable future.

Operational and financial review

TNT European Airlines made an operating profit from the chartering and leasing of the four BAe 146 QT aircraft owned by the company. The company continues to seek uses for these aircraft in its core activities.

Results and dividend

The results for the period are shown in the profit and loss account on page 4. The directors recommend that no dividend be paid (1998: £Nil).

Year 2000 Compliance

No material problems were identified over the millennium period. Given the complexity of the Year 2000 issue it is not possible for any organisation to guarantee that there will not be any future problems. The directors have considered the impact of the year 2000 problem and do not believe that the issue is significant to the company.

Directors

The directors of the company during the period were as follows:

GF Ginty
WV Hanley M.B.E.
AD Jones O.B.E.
JT Yates

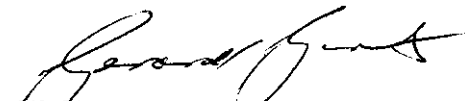
Directors' interests

None of the directors had any interest in the shares of the company or any group company at the end of the financial period.

Auditors

KPMG Audit Plc will not be seeking reappointment as auditors of the company. A resolution to reappoint Price WaterhouseCoopers is to be proposed at the forthcoming Annual General Meeting.

By order of the board


GF Ginty
Secretary

Railway Street
Ramsbottom
Bury
Lancashire
BL0 9AL

3 August 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.



KPMG Audit Plc

Norfolk House
Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 2HA
United Kingdom

Report of the auditor to the members of TNT European Airlines Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 the company's affairs as at 1 January 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditors

11 August 2000

Profit and loss account

for the 53 week period ended 1 January 2000

	Note	53 weeks ended 1 January 2000 £000	52 weeks ended 26 December 1998 £000
Turnover	2	3,531	4,068
Cost of sales		(1,954)	(1,918)
Gross profit		1,577	2,150
Administrative expenses		55	33
Operating profit	1-3	1,632	2,183
Interest receivable and similar income	4	2,084	2,342
Interest payable and similar charges	5	(3,210)	(3,246)
Profit on ordinary activities before taxation		506	1,279
Tax on profit on ordinary activities	6	1,696	(391)
Retained profit for the financial period	14	2,202	888

In the current financial period and preceding financial period the company made no material acquisitions and had no discontinued operations.

In accordance with paragraph 27 of FRS 3, a statement of recognised gains and losses is not provided as all such items are included within the above profit and loss account.

In the current period and preceding financial period 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 14 on page 11 of these financial statements.

Balance sheet
at 1 January 2000

	<i>Note</i>	1 January 2000	26 December 1998
		£000	£000
Fixed assets			
Tangible assets	7	31,451	33,406
Current assets			
Debtors	8	51,630	32,057
Cash at bank and in hand		1,366	1,368
		<hr/>	<hr/>
Creditors: amounts falling due within one year	9	52,996 (43,002)	33,425 (42,620)
		<hr/>	<hr/>
Net current assets/(liabilities)			
Due within one year		(10,006)	(29,195)
Debtors due after one year		20,000	20,000
		<hr/>	<hr/>
		9,994	(9,195)
		<hr/>	<hr/>
Total assets less current liabilities		41,445	24,211
Creditors: amounts falling due after more than one year	10	(17,194)	-
Provisions for liabilities and charges	11	(2,600)	(4,762)
		<hr/>	<hr/>
Net assets		21,651	19,449
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	20,000	20,000
Profit and loss account	14	1,651	(551)
		<hr/>	<hr/>
Equity shareholders' funds		21,651	19,449
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 3 August 2000 and were signed on its behalf by:



JT Yates
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

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

Turnover

Turnover represents the invoiced value of goods and services supplied during the period excluding value added tax.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Aircraft - 20 years to 20% residual value

Taxation

The charge for taxation is based on the profit for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Assets acquired under hire purchase and lease agreements

Assets acquired under hire purchase and finance leases are capitalised with the capital element of the related rental obligations included as liabilities in the balance sheet. The interest element of the repayments is charged against profit in proportion to the reducing capital element outstanding. The assets are depreciated over their estimated useful life.

Assets held for hire under operating leases

Assets held for hire under operating leases are recorded as fixed assets. Income from operating leases is credited to the profit and loss account as incurred on an accruals basis.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or the swap or forward rate where such contracts have been entered into. Gains or losses on translation are included in the profit and loss account.

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 TNT Post Group NV. The consolidated financial statements of TNT Post Group NV which include the company are publicly available.

Going concern

As shown by the balance sheet set out on page 5, the company has net current liabilities due within one year. TNT Holdings (UK) Limited, the parent company of TNT European Airlines Limited has indicated that it will continue to provide financial support. Loans will not be called in without alternative finance being made available. Consequently, the directors believe that it is appropriate for these accounts to be drawn up on a going concern basis.

Notes (continued)

2 Segmental analysis

The company's turnover, profit on ordinary activities before taxation and operating assets are derived from the provision of aircraft chartering and leasing services within Europe.

3 Operating profit

Operating profit is stated after charging/(crediting) the following:

	53 weeks ended 1 January 2000 £000	52 weeks ended 26 December 1998 £000
Depreciation of tangible fixed assets	1,955	1,918
Operating lease rentals receivable	(3,531)	(4,068)
Auditors' remuneration for audit services	5	5
	<u> </u>	<u> </u>

4 Interest receivable and similar income

	53 weeks ended 1 January 2000 £000	52 weeks ended 26 December 1998 £000
Interest receivable from group companies	2,070	2,341
Exchange rate gains on foreign currency borrowings	14	-
Other	-	1
	<u> </u>	<u> </u>
	2,084	2,342
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	53 weeks ended 1 January 2000 £000	52 weeks ended 26 December 1998 £000
Interest payable to group companies	3,178	3,229
Finance charges in respect of finance leases	32	-
Exchange rate losses on foreign currency borrowings	-	17
	<u> </u>	<u> </u>
	3,210	3,246
	<u> </u>	<u> </u>

Notes (continued)

6 Tax on profit on ordinary activities

The tax (credit)/charge for the period is as follows:

	53 weeks ended 1 January 2000 £000	52 weeks ended 26 December 1998 £000
UK Corporation tax at 30% (1998: 31%)	466	275
Effect of change in deferred tax rate from 31% to 30%	(153)	-
Movement in deferred tax	(2,009)	116
	<u>(1,696)</u>	<u>391</u>

The movement in deferred tax arose as a result of the sale and leaseback transaction referred to in note 10

7 Fixed tangible assets

	Aircraft £000
Cost	
At beginning and end of period	47,948
Depreciation	
At beginning of period	14,542
Charge for period	1,955
At end of period	16,497
Net book value	
At 1 January 2000	31,451
At 26 December 1998	33,406

The cost and accumulated depreciation relating to assets which are held for hire under operating leases are £47,948,000 (1998: £47,948,000) and £16,497,000 (1998: £14,542,000) respectively.

The net book value at 1 January 2000 includes £17,258,000 (1998: £nil) in respect of assets subject to hire purchase and finance lease agreements. Depreciation thereon for the year was £949,000 (1998: £nil)

Notes (continued)

8 Debtors

	1 January 2000 £000	26 December 1998 £000
Amounts owed by group companies	50,107	31,604
Prepayments and accrued income	1,523	453
	<u>51,630</u>	<u>32,057</u>

Included within the above is an amount owed by a fellow subsidiary company of £20,000,000 (1998: £20,000,000) which is due after more than one year.

9 Creditors: Amounts falling due within one year

	1 January 2000 £000	26 December 1998 £000
Obligations under finance leases	1,510	-
Amounts owed to group companies	39,251	40,860
Accruals and deferred income	72	57
Corporation tax	2,169	1,703
	<u>43,002</u>	<u>42,620</u>

10 Creditors: Amounts falling due after more than one year

	1 January 2000 £000	26 December 1998 £000
Obligations under finance leases	17,194	-
	<u>17,194</u>	<u>-</u>

Included above are the following:

Amounts repayable by instalments:

Within two to five years	7,468	-
After five years	9,726	-
	<u>17,194</u>	<u>-</u>

Notes (continued)

Sale and leaseback

In the normal course of its activities, the company has entered into a number of sale and leaseback agreements. The current agreements were entered into in December 1999 and gave rise to sale proceeds amounting to £18,704,000. The leases have duration of 10 years.

Under current accounting practice, these leases are treated as finance leases and the profit and loss account is charged with the interest payments each year.

In accordance with SSAP21 and FRS5, the assets subject to these sale and leaseback transactions have been retained on the company's balance sheet and the proceeds of sale are included within liabilities as lease creditors.

11 Provisions for liabilities and charges

Provision for deferred tax at 30% which represents the full potential to deferred tax on accelerated capital allowances is as follows:

	1 January 2000 £000
At beginning of period	4,762
Credited to profit and loss	(2,162)
	<hr/>
At end of period	2,600
	<hr/>

12 Reconciliation of movements in shareholders' funds

	1 January 2000 £000	26 December 1998 £000
Profit for the period	2,202	888
Opening shareholders' funds	19,449	18,561
	<hr/>	<hr/>
Closing shareholders' funds	21,651	19,449
	<hr/>	<hr/>

13 Called up share capital

	1 January 2000 £000	26 December 1998 £000
<i>Authorised, allotted, called up and fully paid:</i>		
20,000,000 ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>

Notes *(continued)*

14 Profit and loss account

	1 January 2000 £000
At beginning of period	(551)
Retained profit for the period	2,202
At end of period	<u>1,651</u>

15 Related party disclosures

The company is controlled by TNT Holdings (UK) Limited, its parent undertaking. The ultimate controlling party is TNT Post Group NV, its ultimate parent undertaking.

The company being a subsidiary undertaking with 90 percent or more of the voting rights being controlled within the TNT Post Group NV group 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.

16 Parent company

The ultimate parent company of TNT European Airlines Limited is TNT Post Group NV a company incorporated in the Netherlands. Copies of the consolidated financial statements of TNT Post Group NV that include TNT European Airlines Limited may be obtained from TNT Post Group Corporate Communications, PO Box 13000, 1100 KG Amsterdam, The Netherlands.