TNT European Airlines Limited

Directors' report and financial statements

29 December 2001

Registered number 1628529

Directors' report and financial statements

Contents

Directors' report

The directors present their report together with the audited financial statements of the company for the year ended 29 December 2001.

Principal activities

The principal activity of the company during the year was 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. The directors do not envisage initiating any material departure from this activity in the foreseeable future.

Results and dividend

The results for the year are shown in the profit and loss account on page 4. The directors recommend that no dividend be paid *(year ended 30 December 2000: £Nil).*

Directors

The directors of the company who served during the year 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 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 which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. 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; and
- 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.

Directors' report *(continued)*

Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of PricewaterhouseCoopers as auditors of the company.

By order of the board

JT Yates
Director

Railway Street
Ramsbottom
Bury
Lancashire
BL0 9AL

24 April 2002

Independent auditors report to the members of TNT European Airlines Limited

We have audited the financial statements from page 4 to 11.

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 on page 1.

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.

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 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 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 at 29 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Temple Court
35 Bull Street
Birmingham
B4 6TJ
24 April 2002

Profit and loss account
for the year ended 29 December 2001

	Note	**Year ended 29 December 2001 £000**	Year ended 30 December 2000 £000
Turnover	*2*	**5,042**	5,405
Cost of sales		**(1,955)**	(1,939)
Gross profit		**3,087**	3,466
Administrative expenses		**-**	(1)
Operating profit	*3-4*	**3,087**	3,465
Interest receivable and similar income	*5*	**2,775**	3,002
Interest payable and similar charges	*6*	**(3,772)**	(4,667)
Profit on ordinary activities before taxation		**2,090**	1,800
Tax on profit on ordinary activities	*7*	**(520)**	2,484
Retained profit for the financial year	*15*	**1,570**	4,284

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

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

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 15 on page 11 of these financial statements.

Balance sheet
at 29 December 2001

	Note	**29 December 2001**		30 December 2000	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**27,950**		29,907
Current assets					
Debtors	*9*	**53,683**		64,242	
Cash at bank and in hand		**2**		-	
		53,685		64,242	
Creditors: amounts falling due within one year	*10*	**(32,356)**		(43,830)	
Net current assets			**21,329**		20,412
Total assets less current liabilities			**49,279**		50,319
Creditors: amounts falling due after more than one year	*11*		**(20,979)**		(23,589)
Provisions for liabilities and charges	*12*		**(795)**		(795)
Net assets			**27,505**		25,935
Capital and reserves					
Called up share capital	*14*		**20,000**		20,000
Profit and loss account	*15*		**7,505**		5,935
Equity shareholders' funds	*13*		**27,505**		25,935

These financial statements on pages 4 to 11 were approved by the board of directors on 24 April 2002 and were signed on its behalf by:

JT Yates

JT Yates
Director

Notes

1 Accounting policies

Basis of accounting

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

Financial Reporting Standard 18 – Accounting Policies has been adopted in the current year but this did not require any changes in accounting policy.

Turnover

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

Tangible fixed assets and depreciation

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

Aircraft - 20 years to 20% residual value

Taxation (including deferred taxation)

The charge for taxation is based on the profit or loss 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 TPG NV. The consolidated financial statements of TPG NV, which include the company, are publicly available.

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 the following:

	Year ended 29 December 2001 £000	Year ended 30 December 2000 £000
Depreciation of tangible fixed assets	**1,957**	1,939
Auditors' remuneration for audit services	**-**	1

Auditors' remuneration in relation to the company is borne by the parent undertaking and not recharged.

4 Directors and employees

The company has no employees other than 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 contribution schemes.

5 Interest receivable and similar income

	Year ended 29 December 2001 £000	Year ended 30 December 2000 £000
Interest receivable from group companies	**2,775**	3,002

6 Interest payable and similar charges

	Year ended 29 December 2001 £000	Year ended 30 December 2000 £000
Interest payable to group companies	**1,496**	2,378
Finance charges in respect of finance leases	**2,276**	2,289
	3,772	4,667

Notes *(continued)*

7 Tax on profit on ordinary activities

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

	Year ended 29 December 2001 £000	Year ended 30 December 2000 £000
UK Corporation tax at 30% (year ended 30 December 2000 : 30%)	**(554)**	(488)
Movement in deferred tax	**-**	1,805
Adjustment to prior year balances	**34**	1,167
	(520)	2,484

The movement in deferred tax during the year ended 30 December 2000 arose as a result of the sale and leaseback transaction referred to in note 11.

8 Fixed tangible assets

	Aircraft £000
Cost	
At beginning of year	48,343
Additions	-
At end of year	48,343
Depreciation	
At beginning of year	18,436
Charge for year	1,957
At end of year	20,393
Net book value	
At 29 December 2001	**27,950**
At 30 December 2000	29,907

The cost and accumulated depreciation relating to assets which are held for hire to a group company under operating leases are £48,343,000 *(30 December 2000: £48,343,000)* and £20,393,000*(30 December 2000: £18,436,000)* respectively.

The net book value at 29 December 2001 includes £21,395,000 (*30 December 2000: £22,867,000*) in respect of assets subject to hire purchase and finance lease agreements. Depreciation thereon for the year was £1,472,000 (*year ended 30 December 2000: £1,472,000*)

Notes *(continued)*

9 Debtors

	29 December 2001 £000	30 December 2000 £000
Amounts owed by group companies	**53,683**	64,242

Debtors include £20,000,000 *(year ended 30 December 2000: £20,000,000)* of intercompany debtors which are due after more than one year.

Amounts owed by group companies are unsecured. Interest is charged at market rates.

10 Creditors: amounts falling due within one year

	29 December 2001 £000	30 December 2000 £000
Obligations under finance leases	**2,610**	2,389
Amounts owed to group companies	**28,474**	40,135
Other creditors	**-**	46
Accruals and deferred income	**261**	291
Corporation tax	**1,011**	969
	32,356	43,830

Amounts owed to group companies are unsecured and repayable on demand. Interest is charged at market rates.

11 Creditors: amounts falling due after more than one year

	29 December 2001 £000	30 December 2000 £000
Obligations under finance leases	**20,979**	23,589

Included above are the following:

Amounts repayable by instalments:

Within two to five years	**11,248**	11,202
After five years	**9,731**	12,387
	20,979	23,589

Notes *(continued)*

Sale and leaseback

During the year ended 29 December 2001 no further sale and leaseback transactions were implemented.

In the normal course of its activities, the company entered into an aircraft sale and leaseback agreement in March 2000 which gave rise to sale proceeds of £9,125,000 which equates to the amount of the finance lease creditor taken on as part of this transaction. The lease has a duration of 10 years.

Under current accounting practice, such 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.

12 Provisions for liabilities and charges

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

	29 December 2001 £000
At the beginning and end of the year	795

13 Reconciliation of movements in shareholders' funds

	29 December 2001 £000	30 December 2000 £000
Profit for the year	**1,570**	4,284
Opening shareholders' funds	**25,935**	21,651
Closing shareholders' funds	**27,505**	25,935

14 Called up share capital

	29 December 2001 £000	30 December 2000 £000
Authorised, allotted, called up and fully paid:		
20,000,000 Ordinary shares of £1 each	**20,000**	20,000

Notes *(continued)*

15 Profit and loss account

	29 December 2001 £000
At beginning of year	5,935
Retained profit for the year	1,570
At end of year	**7,505**

16 Related party disclosures

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

The company being a subsidiary undertaking with 90 percent or more of the voting rights being controlled within the TPG NV group is exempt from the requirement under the terms of FRS 8 to disclose transactions with entities that are part of this group or investees of this group qualifying as related parties.

17 Ultimate parent undertaking

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