

TNT EUROPEAN AIRLINES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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TNT EUROPEAN AIRLINES LIMITED

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TNT EUROPEAN AIRLINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report and the financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the chartering and leasing of four BAe 146 QT aircraft, three of which were held under finance lease by the Company.

BUSINESS REVIEW

The Directors do not envisage initiating any material departure from this activity in the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £723,000 (2012 - £866,000).

The Directors recommend that no dividend be paid (2012: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the fact that the Company does not trade externally, there are not deemed to be any risks or uncertainties that are not mitigated by internal financing policies.

KEY PERFORMANCE INDICATORS

As the Company does not trade externally and its affairs are sufficiently simple, the Directors believe that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

FINANCIAL RISK MANAGEMENT

The Company has interest bearing assets. As the Company's financing and operations are internal to the TNT Express NV group, any exposure to price, interest, credit, cash flow and liquidity risks is mitigated by internal policies and controls.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing were:

JC Downing
MF O'Rourke (resigned 20 January 2014)
JN Clarke (appointed 20 January 2014)
ADJ Cochrane (appointed 20 January 2014)

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

TNT EUROPEAN AIRLINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 April 2014 and signed on its behalf.



JC Downing
Director

TNT EUROPEAN AIRLINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TNT EUROPEAN AIRLINES LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by TNT European Airlines Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

TNT EUROPEAN AIRLINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TNT EUROPEAN AIRLINES LIMITED

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies' exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Jackie Bradshaw (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

30 April 2014

TNT EUROPEAN AIRLINES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	1,2	2,925	3,343
Cost of sales		<u>(1,751)</u>	<u>(1,750)</u>
GROSS PROFIT		1,174	1,593
Administrative expenses		<u>-</u>	<u>(3)</u>
OPERATING PROFIT	3	1,174	1,590
Interest receivable and similar income	5	<u>6</u>	<u>366</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,180	1,956
Tax on profit on ordinary activities	6	<u>(457)</u>	<u>(1,090)</u>
PROFIT FOR THE FINANCIAL YEAR	12	<u>723</u>	<u>866</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 7 to 12 form part of these financial statements.

TNT EUROPEAN AIRLINES LIMITED
REGISTERED NUMBER: 1628529

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	2012 £000
FIXED ASSETS					
Tangible assets	7		6,075		7,826
CURRENT ASSETS					
Debtors	8	19,870		17,662	
CREDITORS: amounts falling due within one year	9	(561)		(723)	
NET CURRENT ASSETS			19,309		16,939
TOTAL ASSETS LESS CURRENT LIABILITIES			25,384		24,765
PROVISIONS FOR LIABILITIES					
Deferred tax	10		(438)		(542)
NET ASSETS			24,946		24,223
CAPITAL AND RESERVES					
Called up share capital	11		20,000		20,000
Profit and loss account	12		4,946		4,223
TOTAL SHAREHOLDERS' FUNDS	13		24,946		24,223

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2014.


JC Downing
 Director

The notes on pages 7 to 12 form part of these financial statements.

TNT EUROPEAN AIRLINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Companies Act 2006 and in accordance with applicable Accounting Standards in the United Kingdom. Accounting policies have been consistently applied and the financial statements have been prepared on a going concern basis under the historical cost accounting convention.

1.2 Turnover

Turnover represents the services provided and is stated net of value added tax. All turnover is attributable to the Company's principal activity.

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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Aircraft	-	25 years to £498,000 per aircraft
Aircraft overhaul costs	-	earlier of 10 years and lifetime of aircraft

1.4 Taxation (including deferred taxation)

The charge for taxation is based on the profit for the year and takes into account taxation deferred in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred.

A net deferred tax asset is only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.5 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.

1.6 Assets held for hire under operating leases

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

TNT EUROPEAN AIRLINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

1.7 Cash flow

The Company is exempt from the requirement of Financial Reporting Standard number 1 (Revised 1996) to prepare a cash flow statement as 90 percent or more of the voting rights of the Company's shares are controlled by TNT Express NV. The consolidated financial statements of TNT Express NV, which include the Company, are publicly available.

2. Turnover

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

All turnover arose within the European Union including the United Kingdom.

3. Operating profit

The operating profit is stated after charging/(crediting):

	2013 £000	2012 £000
Depreciation of tangible fixed assets:		
- owned by the company	401	401
- held under finance leases	1,350	1,349
Auditors' remuneration	-	3
Operating lease income	(2,925)	(3,343)

Auditors' remuneration of £3,000 in respect of auditing of the financial statements has been borne by TNT UK Limited.

4. Staff costs and directors' emoluments

The Company has no employees other than the Directors, who did not receive any remuneration (2012 - £nil).

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

	2013 £000	2012 £000
Interest receivable from group companies	6	366

TNT EUROPEAN AIRLINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Tax on profit on ordinary activities

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	566	722
Adjustments to prior years	(5)	-
Total current tax	<u>561</u>	<u>722</u>
Deferred tax		
Origination and reversal of timing differences	(104)	377
Change in tax rate	(4)	(9)
Adjustments to prior years	4	-
Total deferred tax (see note 10)	<u>(104)</u>	<u>368</u>
Tax on profit on ordinary activities	<u>457</u>	<u>1,090</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 - *higher than*) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>1,180</u>	<u>1,956</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	274	479
Effects of:		
Expenses not deductible for tax purposes	228	175
Book depreciation in excess of tax depreciation	64	68
Adjustments to prior years	(5)	-
Current tax charge for the year (see note above)	<u>561</u>	<u>722</u>

Factors that may affect future tax charges

On 1 April 2013 the rate of UK corporation tax was reduced from 24% to 23%.

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and a further reduction to 20% from 1 April 2015.

The deferred tax liability at 31 December 2013 reflects the above reductions in the rate of the UK corporation tax that have been enacted.

TNT EUROPEAN AIRLINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. Tangible assets

	Aircraft & overhaul costs £000
Cost	
At 1 January 2013 and 31 December 2013	49,187
Accumulated Depreciation	
At 1 January 2013	41,361
Charge for the year	1,751
At 31 December 2013	43,112
Net book value	
At 31 December 2013	6,075
At 31 December 2012	7,826

The cost and accumulated depreciation relating to assets which are held for hire to a group Company under operating leases are £49,187,000 (2012: £2013) and £2013 (2012: £ 41,361,000) respectively.

The net book value at 31 December 2013 includes £ 4,811,000 (2012: £ 6,161,000) in respect of assets subject to hire purchase and finance lease agreements held with a group Company. Depreciation thereon for the year was £1,350,000 (2012: £ 1,349,000).

8. Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	19,869	17,661
Other debtors	1	1
	<u>19,870</u>	<u>17,662</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Interest is charged at the BMG interbank lending rate on balances outside of the UK. No interest is charged on current accounts in the year (2012: 12 month Libor plus 0.75%).

TNT EUROPEAN AIRLINES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. Creditors: Amounts falling due within one year

	2013	2012
	£000	£000
Group relief payable	561	723

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.

10. Deferred tax

	2013	2012
	£000	£000
At beginning of year	542	174
(Release during)/charge for year	(104)	368
At end of year	438	542

The provision for deferred tax is made up as follows:

	2013	2012
	£000	£000
Tax depreciation in excess of book depreciation	438	542

11. Called up share capital

	2013	2012
	£000	£000
Allotted and fully paid share capital		
20,000,000 Ordinary shares of £1 each	20,000	20,000

12. Profit and loss account

	£000
At 1 January 2013	4,223
Profit for the financial year	723
At 31 December 2013	4,946

TNT EUROPEAN AIRLINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
Opening shareholders' funds	24,223	23,357
Profit for the financial year	723	866
Closing shareholders' funds	<u>24,946</u>	<u>24,223</u>

14. Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard No. 8, and has not disclosed transactions with entities that are part of the group, where 100% of the voting rights of these entities are controlled within the group.

15. Ultimate parent undertaking and controlling party

The intermediate parent undertaking is TNT Holdings (UK) Limited. The ultimate parent undertaking and controlling party of TNT European Airlines Limited is TNT Express NV, a Company incorporated in the Netherlands, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of TNT Express NV may be obtained from TNT Investor Relations, PO Box 13000, 1100 KG Amsterdam, The Netherlands.