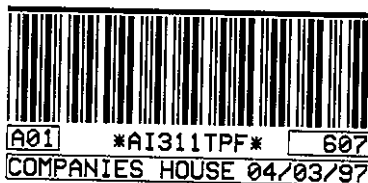


TNT European Airlines Limited

Directors' report and financial statements

29 June 1996

Registered number 1628529



TNT European Airlines Limited

Directors' report and financial statements

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TNT European Airlines Limited

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 29 June 1996.

Principal activities

The principal activity of the company during the year 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 year are shown in the profit and loss account on page 4. The directors recommend that no dividend be paid (1995: £Nil).

Directors


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

AD Jones O.B.E.
WV Hanley
JT Yates

Directors' interests

None of the directors had any interest in the shares of the company which are all held by TNT Europe Limited, a company incorporated in Great Britain.

By order of the board


GF Ginty
Secretary

Railway Street
Ramsbottom
Bury
Lancashire
BL0 9AL
8 November 1996

TNT European Airlines Limited

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 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;
- 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.



2 Cornwall Street
Birmingham B3 2DL

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

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 29 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

8 November 1996



TNT European Airlines Limited

Profit and loss account for the year ended 29 June 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	<i>1</i>	5,184	5,119
Cost of sales		(2,558)	(2,194)
Gross profit		2,626	2,925
Administrative expenses		(178)	(39)
Operating profit	<i>1-3</i>	2,448	2,886
Interest receivable and similar income	<i>4</i>	2,331	2,229
Interest payable and similar charges	<i>5</i>	(3,927)	(2,183)
Profit on ordinary activities before taxation		852	2,932
Tax on profit on ordinary activities	<i>6</i>	(289)	347
Retained profit for the financial year	<i>14</i>	563	3,279

In the current and preceding financial years 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 and preceding years 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.

TNT European Airlines Limited

Balance sheet at 29 June 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		38,199		40,118
Current assets					
Debtors	8	26,688		25,687	
Cash at bank and in hand		166		1,501	
		<u>26,854</u>		<u>27,182</u>	
Creditors: amounts falling due within one year	9	<u>(7,857)</u>		<u>(6,786)</u>	
Net current assets					
Due within one year		(1,003)		396	
Debtors due after one year		<u>20,000</u>		<u>20,000</u>	
			<u>18,997</u>		<u>20,396</u>
Total assets less current liabilities			<u>57,196</u>		<u>60,514</u>
Creditors: amounts falling due after more than one year	10		(37,220)		(40,401)
Provisions for liabilities and charges	11		<u>(4,554)</u>		<u>(5,254)</u>
Net assets			<u>15,422</u>		<u>14,859</u>
Capital and reserves					
Called up share capital	13		20,000		20,000
Profit and loss account	14		<u>(4,578)</u>		<u>(5,141)</u>
Equity shareholders' funds			<u>15,422</u>		<u>14,859</u>

These financial statements were approved by the board of directors on 8 November 1996 and were signed on its behalf by:

JT Yates
Director



TNT European Airlines Limited

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 year 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 or loss for the 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

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary company of a UK parent.

TNT European Airlines Limited

Notes

(forming part of the financial statements)

1 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.

2 Operating profit

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

	1996 £000	1995 £000
Depreciation of tangible fixed assets:		
Leased	997	997
Owned	922	920
Operating lease rentals receivable	(5,184)	(5,119)
Auditors' remuneration for audit services	2	2
	<hr/>	<hr/>

Fees paid to KPMG for UK non-audit services amounted to £1,000 (1995: £2,000).

The emoluments of the directors, all of whom are also directors of TNT Europe Limited, are disclosed in those financial statements but are not disclosed in these financial statements as it is considered meaningless to apportion their emoluments between their services to this and other group companies.

3 Staff costs

All staff are employees of TNT Express (UK) Limited, the average number of employees during the year was £Nil (1995: Nil).

4 Interest receivable and similar income

	1996 £000	1995 £000
Interest receivable from group companies	2,216	2,186
Other	115	43
	<hr/>	<hr/>
	2,331	2,229
	<hr/>	<hr/>

TNT European Airlines Limited

Notes (continued)

5 Interest payable and similar charges

	1996 £000	1995 £000
Interest payable to group companies	76	-
Interest on bank loans and overdrafts repayable within five years	1,510	1,390
Finance charges in respect of finance leases and hire purchase agreements	1,538	1,827
Exchange rate losses on foreign currency borrowings	803	(1,034)
	<u>3,927</u>	<u>2,183</u>

6 Tax on profit/(loss) on ordinary activities

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

	1996 £000	1995 £000
UK Corporation tax at 33 %	(989)	(87)
Deferred tax	700	434
	<u>(289)</u>	<u>347</u>

7 Fixed tangible assets

	Aircraft £000
Cost	
At beginning and end of year	<u>47,948</u>
Depreciation	
At beginning of year	7,830
Charge for year	<u>1,919</u>
At end of year	<u>9,749</u>
Net book value	
At 29 June 1996	<u>38,199</u>
At 1 July 1995	<u>40,118</u>

TNT European Airlines Limited

Notes (continued)

7 Fixed tangible assets (continued)

Assets which are held under finance lease and hire purchase agreements are included within owned assets. The net book values, together with the depreciation charged for the year are as follows:

	1996		1995	
	Net book value	Depreciation charge	Net book value	Depreciation charge
	£000	£000	£000	£000
Aircraft	20,232	997	21,229	997

The cost and accumulated depreciation relating to assets which are held for hire under operating leases are £47,948,000 (1995: £47,948,000) and £9,749,000 (1995: £7,830,000) respectively.

8 Debtors

	1996 £000	1995 £000
Amounts owed by group companies	26,270	24,398
Other debtors	2	839
Prepayments and accrued income	416	450
	<u>26,688</u>	<u>25,687</u>

Included within the above is an amount owed by the parent company of £20,000,000 (1995: £20,000,000) which is due after more than one year.

9 Creditors: Amounts falling due within one year

	1996 £000	1995 £000
Bank loans and overdrafts	563	1,491
Obligations under hire purchase agreements	1,445	2,790
Trade creditors	-	4
Amounts owed to group companies	2,662	851
Accruals and deferred income	2,056	1,376
Corporation tax	1,131	274
	<u>7,857</u>	<u>6,786</u>

TNT European Airlines Limited

Notes (continued)

10 Creditors: Amounts falling due after more than one year

	1996 £000	1995 £000
Bank loans	21,880	21,493
Obligations under hire purchase agreements	15,340	18,908
	<u>37,220</u>	<u>40,401</u>

Analysis of creditors amounts falling due after more than one year

	1996 £000	1995 £000
Aggregate amount of debts repayable by instalments, any of which fall due for payment after more than five years	21,880	-
Wholly repayable within five years	15,340	40,401
	<u>37,220</u>	<u>40,401</u>

Aggregate amount of debts repayable by instalments, any of which fall due for payment after more than five years are as follows:

	1996 Bank loans £000	1995 Bank loans £000
Instalments payable within two to five years	16,410	-
Instalments payable after five years	5,470	-
	<u>21,880</u>	<u>-</u>

The maturity of obligations under hire purchase agreements is as follows:

	1996 £000	1995 £000
Within one year	1,445	2,790
In second to fifth years	15,340	18,908
	<u>16,785</u>	<u>21,698</u>

TNT European Airlines Limited

Notes (continued)

11 Provisions for liabilities and charges

Provision for deferred tax at 33% which represents the full potential to deferred tax on accelerated capital allowances is as follows:

	£000
At beginning of year	5,254
Charged to profit and loss	(700)
At end of year	<u>4,554</u>

12 Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	563	3,279
Opening shareholders' funds	<u>14,859</u>	<u>11,580</u>
Closing shareholders' funds	<u>15,422</u>	<u>14,859</u>

13 Called up share capital

	1996 £000	1995 £000
<i>Authorised, allotted, called up and fully paid:</i> 20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

14 Profit and loss account

	£000
At beginning of year	(5,141)
Retained profit for the financial year	563
At end of year	<u>(4,578)</u>

TNT European Airlines Limited

Notes (continued)

15 Contingent liabilities

The company in conjunction with other subsidiaries of TNT Limited has contingent liabilities in respect of various borrowings and standby facilities made available to the group. At 29 June 1996 these amounted to A\$30,000,000 (1995: A\$Nil), US\$20,000,000 (1995: US\$Nil), £Nil (1995: £36,285,000), Netherland Guilders 194,984,000 (1995: Dfl195,725,000), which at year end exchange rates is equivalent in total to £102,187,000 (1995: £115,600,000). The maximum liabilities under such guarantees is A\$30,000,000 (1995: A\$ 30,000,000), US\$125,000,000 (1995: US\$125,000,000), Netherland Guilders 194,984,000 (1995: Dfl 195,725,000) and £45,000,000 (1995: £45,085,000). These amounted to £214,973,000 (1995: £217,312,000) in total at year end exchange rates.

A composite guarantee has been given by the company in connection with the UK overdrafts of the group. At 29 June 1996 these amounted to £5,732,000 (1995: £5,705,000), the maximum liability being £10,000,000 (1995: £10,000,000).

16 Parent company

The ultimate parent company is TNT Limited, a company incorporated in Australia.

The immediate parent company is TNT Europe Limited, a company incorporated in the United Kingdom.

A copy of the TNT Limited accounts can be obtained from:

The Group Secretary
TNT Limited
TNT Plaza
Tower 1
Lawson Square
Redfern
NSW 2016
Australia

A copy of the TNT Europe Limited accounts can be obtained from:

The Company Secretary
TNT Europe Limited
Railway Street
Ramsbottom
Bury
Lancashire
BL0 9AL