

G3 Worldwide Mail (UK) Limited

Directors' report and financial statements

Year ended 27 December 2003

Registered number 545421



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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 principal activity during the year was the provision of international re-mailing services. The directors do not envisage any material departure from this activity in the foreseeable future.

Results and dividends

The results for the year are shown in the profit and loss account of page 4. The Directors recommend that no dividend be paid (*year ended 28 December 2002: £Nil*).

Directors

The directors of the company who served during the year and since are as follows:

H A F Leenders	(resigned 8 June 2004)
J Possollo	
J Stammer	(appointed 8 June 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.

Supplier payment policy

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

The average number of days taken to pay the company's trade suppliers calculated in accordance with the requirements of the Companies Act is 20 days (*year ended 28 December 2002: 20 days*).

Charitable donations

During the year, the company made charitable donations of £nil (*year ended 28 December 2002: £300*).



Directors' report *(continued)*

Employees

Applications for employment from disabled persons are always fully considered and a careful assessment made of their aptitudes and abilities in the context of the job requirements. In the event of an employee becoming disabled, every effort is made to ensure that either they are retained in their existing role or a more suitable role is identified.

The directors acknowledge their responsibilities in communicating relevant information to the company's employees and to assist in developing their full potential. The company operates a number of initiatives designed to develop its employees' understanding of critical business factors which affect the performance of the company and maintains regular communication through the circulation of frequent bulletins and periodic magazines.

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 that 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 1985. 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.

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 Stammer
Director

Unit 9
Trident Way
International Trading Estate
Southall
Middlesex
UB2 5LF
26 October 2004

Independent auditors report to the members of G3 Worldwide Mail (UK) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes and the accounting policies set out in the statement of accounting policies.

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 report, 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 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 conduct 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 27 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
26 October 2004

Profit and loss account
for the year ended 27 December 2003

Continuing operations

	<i>Note</i>	Year ended 27 December 2003	Year ended 28 December 2002
		£000	£000
Turnover	1	20,353	21,963
Cost of sales		(17,765)	(20,465)
Gross profit		2,588	1,498
Administrative expenses – before exceptional item		(3,994)	(4,758)
Exceptional item – goodwill impairment	2	-	(430)
Total administrative expenses		(3,994)	(5,188)
Operating loss	2	(1,406)	(3,690)
Interest receivable and similar income	5	-	1
Interest payable and similar charges	6	(475)	(310)
Loss on ordinary activities before taxation		(1,881)	(3,999)
Tax on loss on ordinary activities	7	203	442
Loss for the financial year	13	(1,678)	(3,557)

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

The movement on reserves is detailed in note 13 on page 13 of these financial statements.

Balance sheet
 at 27 December 2003

	Note	27 December 2003		28 December 2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		43		112
Current assets					
Debtors					
Falling due within one year	9	7,460		7,763	
Falling due after one year	9	1,293		1,090	
		8,753		8,853	
Cash at bank and in hand		184		18	
		8,937		8,871	
Creditors: amounts falling due within one year	10	(15,443)		(13,768)	
Net current liabilities			(6,506)		(4,897)
Net liabilities			(6,463)		(4,785)
Capital and reserves					
Called up share capital	12	895		895	
Profit and loss account	13	(7,358)		(5,680)	
Total equity shareholders' funds	14	(6,463)		(4,785)	

These financial statements on pages 4 to 14 were approved by the board of directors on 26 October 2004 and were signed on its behalf by:



J Stammer
 Director

Notes to the financial statements

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 convention.

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 or valuation of tangible fixed assets, less the estimated residual value, by equal instalments over their estimated useful economic lives as follows:

Leasehold buildings	-	over the period of the lease
Trailers and other motor vehicles	-	4-8 years
Other machinery and equipment	-	3-20 years

Going concern

As shown by the balance sheet on page 5, the company has net current liabilities. These principally relate to amounts due to group companies. The parent company, G3 Worldwide Mail NV, has indicated that it will continue to provide financial support. Amounts due 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.

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. 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 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and all such gains or losses are included in the profit and loss account.

Pension scheme

The company participates in the TNT UK Limited Group Pension Scheme, which is a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds during the year.

Assets held 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.

Rentals applicable to operating leases are charged to the profit and loss account as incurred on a straight line basis over the life of the lease

Claims

Provision is made for claims for loss or damage arising in respect of goods carried or in transit prior to the accounting date.

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 G3 Worldwide Mail NV. The consolidated financial statements of G3 Worldwide Mail NV, which include the company, are publicly available.

2 Operating loss before interest and taxation

Operating loss on ordinary activities before interest and taxation is stated after charging/(crediting) the following:

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
Depreciation of tangible fixed assets	91	129
Depreciation of intangible fixed assets	-	24
Impairment charge of intangible fixed assets	-	430
Hire of plant and machinery	16	50
Operating lease rentals:		
Plant and machinery	135	96
Land and buildings	306	327
Auditors' remuneration for audit services	12	14
Foreign exchange (gains)/losses	(104)	51

Notes to the financial statements *(continued)*

2 Operating loss before interest and taxation *(continued)*

The other operating lease rentals for land and buildings, although paid by the company relate to operating leases in the name of fellow subsidiary company, TNT Express Worldwide (UK) Ltd.

Fees paid to the current auditors, PricewaterhouseCoopers LLP, for UK non-audit services during the year amounted to £nil (*year ended 28 December 2002 : £nil*)

3 Directors' emoluments

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
<i>Aggregate director's remuneration:</i>		
Emoluments	295	242
Company contributions to money purchase schemes	7	9
	302	251
	Number	Number
<i>Number of directors who are:</i>		
Members of money purchase pension schemes	1	4
	£000	£000
<i>Highest paid director:</i>		
Emoluments	179	154
Company contributions to money purchase schemes	0	5

During the year amounts accruing to directors under defined benefit schemes amounted to £nil (*2002: £nil*).

Notes to the financial statements (continued)

4 Staff costs (including directors remuneration)

The average monthly number of employees by activity is as follows:

	Year ended 27 December 2003 Number	Year ended 28 December 2002 Number
Mail	143	157

The aggregate payroll costs for these persons was as follows:

	£000	£000
Wages and salaries	2,298	2,689
Social security costs	208	236
Pension costs (note 16)	76	82
	<u>2,582</u>	<u>3,007</u>

5 Interest receivable and similar income

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
Interest receivable on bank deposits	-	1

6 Interest payable and similar charges

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
Interest payable to group companies	475	309
Interest payable on bank overdrafts	-	1
	<u>475</u>	<u>310</u>

Notes to the financial statements (continued)

7 Tax on loss on ordinary activities

	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
Current tax		
UK Corporation tax credit at 30% (year ended 2002:30%)	(203)	(470)
Adjustment in respect of prior years	-	28
	<u>(203)</u>	<u>(442)</u>
Factors affecting tax change for the period		
	Year ended 27 December 2003 £000	Year ended 28 December 2002 £000
(Loss) on ordinary activities before tax	<u>(1,881)</u>	<u>(3,999)</u>
(Loss) on ordinary activities before tax at 30% (2002:30%)	(565)	(1,200)
- Expenses not deductible for tax purposes	149	234
- Capital allowances for period less than depreciation	6	12
- Short term timing differences	13	32
- Tax losses not recognised	194	452
- Adjustments to tax in respect of previous periods	-	28
	<u>(203)</u>	<u>(442)</u>

The above tax credit arises on the losses for the year. A recoverable amount has been recognised in the accounts for recovery by group relief and consortium relief. No deferred tax has been recognised in the accounts in respect of the trading losses in the business, the total unrecognised amount of such a deferred tax asset is £788,000 – see note 11 for details of the un-provided deferred tax.

Notes to the financial statements (continued)

8 Tangible fixed assets

	Short leasehold properties £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At 29 December 2002	111	359	470
Additions	9	13	22
At 27 December 2003	120	372	492
<i>Depreciation</i>			
At 29 December 2002	94	264	358
Charge for the year	20	71	91
At 27 December 2003	114	335	449
<i>Net book value</i>			
At 27 December 2003	6	37	43
At 28 December 2002	17	95	112

9 Debtors

	27 December 2003 £000	28 December 2002 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	3,973	4,307
Amounts owed by group companies	16	77
Other debtors	3,410	3,330
Prepayments and accrued income	61	49
	7,460	7,763
<i>Amounts falling due after one year:</i>		
Corporation tax recoverable from group and associated companies	1,293	1,090
Total debtors	8,753	8,853

Notes to the financial statements (continued)

10 Creditors: amounts falling due within one year

	27 December 2003 £000	28 December 2002 £000
Trade creditors	1,105	964
Amounts owed to group companies	12,480	8,076
Other creditors	-	30
Other taxation and social security	202	312
Accruals and deferred income	1,656	4,386
	<u>15,443</u>	<u>13,768</u>

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

11 Provisions for liabilities and charges

Un-provided deferred tax assets:

	Accelerated Capital allowances £000	Short term timing differences £000	Losses £000	Total £000
At beginning of year at 30%	(59)	(56)	(594)	(709)
Credit to profit and loss account	(6)	(13)	(194)	(213)
At end of year at 30%	<u>(65)</u>	<u>(69)</u>	<u>(788)</u>	<u>(922)</u>

This deferred tax asset has not been recognised in the accounts for 2001, 2002 or 2003, as, on the basis of available evidence, it is considered unlikely that there will be suitable taxable profits against which the deferred tax assets can be offset.

12 Called up share capital

	27 December 2003 £000	28 December 2002 £000
Authorised		
1,000,000: Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
895,000: Ordinary shares of £1 each	895	895

Notes to the financial statements (continued)

13 Reserves

	Profit and Loss Account £000
At beginning of year	(5,680)
Loss for the year	(1,678)
At end of year	(7,358)

14 Reconciliation of movements in equity shareholders' funds

	£000
Opening equity shareholders' funds	(4,785)
Loss for the year	(1,678)
Closing equity shareholders' funds	(6,463)

15 Operating lease commitments

The company had annual commitments under non-cancellable operating leases expiring as follows:

	27 December 2003		28 December 2002	
	Land & Buildings £000	Plant and equip £000	Land & Buildings £000	Plant and equipment £'000
Within one year	-	16	-	27
Between two and five years	237	67	237	64
	237	83	237	91

The commitment for Land & Buildings relate to operating leases in the name of fellow subsidiary company TNT Express Worldwide (UK) Ltd. G3 Worldwide Mail (UK) Ltd therefore has a commitment to them.

16 Pension costs

The company participates in the TNT UK Limited Group Pension Scheme, which is a defined contribution scheme. The assets of the scheme are held separately from the company in independently administered funds. The pension cost charge for the year represents contributions payable by the company to the funds and amounted to £75,978 (year ended 28 December 2002: £82,339).

Notes to the financial statements (continued)

17 Related party disclosures

The company is controlled by G3 Worldwide Mail NV, 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 G3 Worldwide Mail NV, 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 exempt related parties.

G3 Worldwide Mail NV is the smallest group in which the accounts of the company are consolidated. Copies of these accounts may be obtained from the registered office of G3 Worldwide Mail NV at Paasheuvelweg 6, 1105 BH Amsterdam, The Netherlands.

G3 Worldwide Mail NV, is a joint venture company where the controlling interest of 51 per cent is held by TPG NV. The other parties are Royal Mail Group PLC and Singapore Post who each hold 24.5 per cent of the shareholding.

18 Ultimate parent undertaking

The ultimate parent undertaking and controlling party of G3 Worldwide Mail (UK) Limited is TPG NV, a company incorporated in The Netherlands. Copies of the consolidated financial statements of TPG NV that include G3 Worldwide Mail (UK) Limited may be obtained from TPG Investor Relations, PO Box 13000, 1100 KG Amsterdam, The Netherlands.