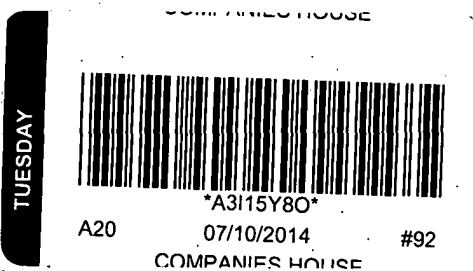


TAG EUROPE LIMITED

Annual report

for the year ended 31 December 2013

Registered number 2299109



CONTENTS

**Annual report  
for the year ended 31 December 2013**

Company information .....	1
Strategic report .....	2
Directors' report .....	4
Independent auditors' report to the members of Tag Europe Limited.....	7
Profit and loss account.....	9
Balance sheet .....	10
Statement of changes in equity.....	11
Notes to the financial statements .....	12

# Tag Europe Limited

---

## COMPANY INFORMATION

### **DIRECTORS**

S J Faulkner  
A Lattimore  
S D Trood  
P D Zillig

### **COMPANY SECRETARY**

Exel Secretarial Services Limited

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium  
1 Harefield Road  
Uxbridge UB8 1EX

### **BANKERS**

Deutsche Bank AG  
99 Bishopsgate  
London EC2M 3XD

### **REGISTERED OFFICE**

29 Clerkenwell Road  
London EC1M 5TA

## STRATEGIC REPORT

for the year ended 31 December 2013

The directors present their strategic report on the company for the year ended 31 December 2013.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of pre-press services and electronic image manipulation.

The company's key performance indicators during the year were as follows:

	2013 £000s	2012 £000s	Change %
Turnover	112,657	90,508	24.5
Gross profit	13,205	17,051	-22.6
Operating profit	2,607	3,596	-27.5

2013 was another strong year of growth for the company resulting from high client retention and a number of key client wins. However, a change in the mix of business, investment in both value-add and support function human resources and the take-up of additional London real estate has led to a reduction in margins. This investment is expected to continue into 2014 ahead of expected growth in future years.

### PRINCIPAL RISKS AND UNCERTAINTIES

The company assesses risk at board level and through other operational boards which meet on a regular basis. The principal risks and uncertainties facing the company are set out below:

- **Competition**

The company operates in a competitive environment and all contracts and processes are subject to regular analysis with the aim of customer retention or gain and economic optimisation.

- **Employees**

The hard work, expertise and commitment of its employees are essential to the commercial success of the company and a high priority is placed on the effectiveness of employment practices and human resource development initiatives.

- **Information technology risks**

Information technology is an integral part of the company's service capability and its business performance depends heavily on the functioning and performance of its applications and infrastructure. Active risk management processes are in place to minimise downtime. The directors continuously monitor data security compliance and risk.

**STRATEGIC REPORT**

for the year ended 31 December 2013 (continued)

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

- Financial risk

The company may be impacted by customer credit risk and effects arising from contract breach. Credit risk management follows normal best practice and includes varying levels of credit assessments according to customer size and active credit performance management through key performance indicators such as days' sales outstanding. Contract risk is managed by formal contract approval processes, active operational management and, to the extent possible, important risks are insured. The directors are not aware of any other pending significant financial risks.

On behalf of the board



S D Trood  
Director

29 September 2014

# Tag Europe Limited

---

## DIRECTORS' REPORT

for the year ended 31 December 2013

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2013.

### RESULTS AND DIVIDENDS

The turnover of the company for the year was £112,656,901 (2012: £90,508,592). The profit for the year after taxation amounted to £1,217,189 (2012: £2,522,632). The directors do not recommend the payment of a dividend (2012: £nil).

The company had net current assets at the year end of £9,877,301 (2012: £12,513,791) and net assets of £18,613,494 (2012: £17,396,305).

### DIRECTORS

The directors who held office during the year and up until the date of approval of the financial statements unless otherwise indicated were as follows:

C J Davey	(resigned 31 May 2013)
S J Faulkner	(appointed 13 May 2014)
M Harrison	(resigned 13 May 2014)
M Hearn	(resigned 13 May 2014)
A Lattimore	(appointed 6 August 2014)
S C C Nunn	(appointed 31 May 2013; resigned 3 June 2014)
M J Stroud	(resigned 30 September 2013)
S D Trood	
P D Zillig	(appointed 31 May 2013)

### DIRECTORS' LIABILITIES

The directors have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and up to the date of approval of the financial statements.

### EMPLOYEES

Regular meetings are held involving directors, managers and staff to allow a free flow of information and ideas about aspects, including economic, of the business and to communicate financial and economic factors that affect the performance of the company. During the year, the company has provided training for employees at all levels.

The company's policy is to give full consideration to all applications for employment and to treat all staff fairly, regardless of gender, religion, race, age or physical disability. Where existing employees become disabled, it is the company's policy, where practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Senior employees participate directly in the success of the business through the company's bonus schemes.

**DIRECTORS' REPORT**

for the year ended 31 December 2013 (continued)

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic report, 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 THE AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that;

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the director has taken all steps that one ought to have taken as a director in order to make oneself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**DIRECTORS' REPORT**

for the year ended 31 December 2013 (continued)

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

On behalf of the board

A handwritten signature in black ink, appearing to read 'S D Trood', is written over a large, stylized, looped flourish.

S D Trood  
Director

29 September 2014



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF TAG EUROPE LIMITED

**REPORT ON THE FINANCIAL STATEMENTS**

***Our opinion***

In our opinion the financial statements:

- 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 Tag Europe Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended;
- the statement of changes in equity 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 comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF TAG EUROPE LIMITED (continued)

**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 if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made.

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 5, 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.



Daniel Dennett (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

1 OCTOBER 2014

# Tag Europe Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2013

	Note	2013 £	2012 £
TURNOVER	4	112,656,901	90,508,592
Cost of sales		(99,452,034)	(73,457,183)
GROSS PROFIT		13,204,867	17,051,409
Administrative expenses		(16,862,767)	(14,725,534)
Other operating income		6,264,861	1,270,087
OPERATING PROFIT	5	2,606,961	3,595,962
Interest receivable and similar income		9,008	-
Interest payable and similar charges	7	(595,516)	(546,022)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,020,453	3,049,940
Tax on profit on ordinary activities	8	(803,264)	(527,308)
PROFIT FOR THE FINANCIAL YEAR		1,217,189	2,522,632

All results derive from continuing operations.

There were no items of income or expense recognised in the period other than those shown above and therefore no separate statement of comprehensive income has been presented.

**BALANCE SHEET**  
 as at 31 December 2013

	<i>Note</i>	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
<b>FIXED ASSETS</b>			
Intangible assets	9	2,494,371	541,748
Tangible assets	10	5,934,950	4,033,894
Investments	11	306,872	306,872
		<u>8,736,193</u>	<u>4,882,514</u>
<b>CURRENT ASSETS</b>			
Investments	12	195	195
Inventories	13	2,458,457	2,997,990
Debtors	14	41,035,781	81,986,575
Cash at bank and in hand		2,864,875	378,705
		<u>46,359,308</u>	<u>85,363,465</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(36,482,007)</u>	<u>(72,849,674)</u>
<b>NET CURRENT ASSETS</b>		<u>9,877,301</u>	<u>12,513,791</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS</b>		<u>18,613,494</u>	<u>17,396,305</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	9,600	9,600
Other reserves		900	900
Retained earnings		18,602,994	17,385,805
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>18,613,494</u>	<u>17,396,305</u>

The financial statements on pages 9 to 22 were approved by the board of directors on 29 September 2014 and signed on its behalf by:



S D Trood  
Director

# Tag Europe Limited

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

	<i>Called up share capital £</i>	<i>Other reserves £</i>	<i>Retained earnings £</i>	<i>Total £</i>
Balance as at 1 January 2012	9,600	900	14,863,173	14,873,673
Profit for the year	-	-	2,522,632	2,522,632
Balance as at 31 December 2012	9,600	900	17,385,805	17,396,305
Balance as at 1 January 2013	9,600	900	17,385,805	17,396,305
Profit for the year	-	-	1,217,189	1,217,189
Balance as at 31 December 2013	9,600	900	18,602,994	18,613,494

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013

**1. STATEMENT OF COMPLIANCE**

The individual financial statements of Tag Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 21.

***(a) Basis of preparation***

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

***(b) Exemptions for qualifying entities under FRS 102***

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from the requirement to prepare a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Deutsche Post AG, includes the company's cash flows in its own consolidated financial statements.

***(c) Consolidated financial statements***

The company is a wholly owned subsidiary of Tag Worldwide Group Limited and of its ultimate parent, Deutsche Post AG. It is included in the consolidated financial statements of Deutsche Post AG which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

***(d) Turnover***

Turnover represents amounts receivable primarily for services provided in the UK and overseas net of trade discounts, value added tax, and other sales related taxes. Turnover is recognised when the risks and rewards of ownership have transferred and the amount of turnover can be measured reliably.

Where work is performed on behalf of other group companies, revenue is recognised to the extent to which the company bears the risks and rewards of the arrangement.

***(e) Intangible assets***

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(f) Tangible fixed assets and depreciation**

Fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful economic life, which is reviewed annually. The rates are:

Leasehold improvements	-	7 years
Plant and machinery	-	3 - 5 years
Fixtures and fittings	-	5 years
Motor vehicles	-	5 years

Assets in the course of construction are not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment by management in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**(g) Investments**

Fixed asset investments are stated at cost less provision for impairment.

The carrying values of fixed asset investments are reviewed for impairment by management in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**(h) Leased assets**

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

**(i) Inventories**

Consumer products are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises purchase cost on a weighted average basis.

Work in progress is valued at the lower of the cost, which includes labour and other costs that are directly associated with work carried out to bring the unfinished projects to their current stage of completion, and estimated selling price less costs to complete and sell. The allocation of labour and other costs are systematic and based on historic information.

Where necessary, provision is made for obsolete, slow moving and defective inventories.

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*(k) Financial instruments*

*Financial assets and liabilities*

Basic financial assets and liabilities, including trade and other receivables, cash and bank balances, trade and other payables and loans from fellow group companies are recognised at transaction price, unless the arrangement constitutes a financing transaction. The company currently has no such financing transactions.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

*(l) Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*(m) Taxation*

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*(i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that have occurred at the balance sheet date result in an obligation to pay more tax in the future or a right to pay less tax in the future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the 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.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*(n) Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the balance sheet exchange rate. All exchange differences are taken to the profit and loss account.

*(o) Pension costs*

The pension costs charged against profit represent the contributions payable by the group to defined contribution schemes for the year. Scheme assets are held separately from those of the group in independently administered funds.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*(i) Useful economic lives of intangible assets*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, and economic utilisation of the assets. See note 9 for the carrying amount of intangible assets, and note 2(e) for the useful economic lives for each class of asset.

*(ii) Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible assets, and note 2(f) for the useful economic lives for each class of asset.

*(iii) Estimation of work in progress*

The company makes an estimate of the recoverable value of work in progress. When assessing the recoverable value of work in progress management considers factors including selling price, the ageing profile and historical experience. See note 13 for the carrying amount of work in progress.

*(iv) Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

# Tag Europe Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2013 (continued)

### 4. TURNOVER

An analysis of turnover by destination is given below:

	2013 £	2012 £
United Kingdom	65,712,711	54,636,563
Europe	33,064,961	26,100,508
Rest of the world	13,879,229	9,771,521
	<u>112,656,901</u>	<u>90,508,592</u>

All turnover relates to the sale of services.

### 5. OPERATING PROFIT

This is stated after charging/(crediting):

	2013 £	2012 £
Wages and salaries	35,562,245	34,828,624
Social security costs	4,359,383	3,794,622
Other pension costs (note 17)	148,815	190,020
Staff costs	<u>40,070,443</u>	<u>38,813,266</u>
Profit on disposal of tangible fixed assets	(3,300)	-
Inventory recognised as an expense	54,152,337	30,681,445
Operating lease rentals	2,944,058	1,874,110
Auditors' remuneration - audit services	30,000	30,000
Foreign exchange losses	44,721	204,059
	<u></u>	<u></u>

### 6. EMPLOYEES AND DIRECTORS

#### Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2013 Number	2012 Number
Production	<u>933</u>	<u>873</u>

# Tag Europe Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2013 (continued)

### 6. EMPLOYEES AND DIRECTORS (continued)

#### *Directors*

The directors' emoluments were as follows:

	2013 £	2012 £
Aggregate emoluments	601,842	1,691,024
Company contributions to money purchase pension schemes	17,950	44,950
Compensation for loss of office	150,000	-

	2013 No.	2012 No.
Members of money purchase pension schemes	3	3

#### *Highest paid director*

The highest paid director's emoluments were as follows:

	2013 £	2012 £
Aggregate emoluments	251,517	737,911
Company contributions to money purchase pension schemes	750	27,750

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Interest payable on bank loans and overdrafts	-	29,653
Interest payable to group undertakings	595,516	323,195
Other interest payable	-	193,174
	595,516	546,022

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in year:

	2013	2012
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	339,829	714,160
Group relief receivable	32,302	-
Adjustments in respect of prior years	222,232	-
<b>Total current tax</b>	<b>594,363</b>	<b>714,160</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	198,258	(215,253)
Impact of change in tax rates	10,643	28,401
<b>Total deferred tax</b>	<b>208,901</b>	<b>(186,852)</b>
<b>Total tax charge for year</b>	<b>803,264</b>	<b>527,308</b>

The difference between the total tax above and the amount calculated by applying the standard rate of UK corporation tax of 23.25% (2012: 24.50%) to the profit before tax is as follows:

	2013	2012
	£	£
Profit on ordinary activities before taxation	2,020,453	3,049,940
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	469,755	747,235
<i>Effects of:</i>		
Expenses not deductible for tax purposes	152,258	230,371
Non-taxable income	(133,540)	(294,000)
Impact of change in tax rates	10,643	28,401
Adjustments in respect of prior years	304,148	(184,699)
<b>Tax charge for the year</b>	<b>803,264</b>	<b>527,308</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges:

During the year, as a result of the changes in the UK corporation tax rate to 21% that was substantively enacted on 2 July 2013 and was effective from 1 April 2014; and to 20% that was substantively enacted on the same date and will be effective from 1 April 2015, the relevant deferred tax balances have been re-measured.

The deferred tax asset included in the balance sheet is as follows:

	2013 £	2012 £
Decelerated capital allowances	124,884	313,244
Other timing differences	-	20,541
Total deferred tax asset (note 14)	<u>124,884</u>	<u>333,785</u>
At 1 January	333,785	
Deferred tax charged in profit and loss account	(208,901)	
At 31 December	<u>124,884</u>	

No significant reversal of the deferred tax asset is expected in 2014.

9. INTANGIBLE ASSETS

	Computer software £
At 31 December 2012:	
Cost	865,248
Accumulated amortisation	(323,500)
Net book amount	<u>541,748</u>
Year ended 31 December 2013:	
Opening net book amount	541,748
Additions	2,352,152
Amortisation	(399,529)
Closing net book amount	<u>2,494,371</u>
At 31 December 2013:	
Cost	3,217,400
Accumulated amortisation	(723,029)
Net book amount	<u>2,494,371</u>

Included in computer software is £1,914,577 yet to be amortised as the software is currently under production and is yet to be brought into use in the business.

# Tag Europe Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2013 (continued)

### 10. TANGIBLE ASSETS

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
At 31 December 2012:					
Cost	2,318,031	4,011,217	1,834,798	135,656	8,299,702
Accumulated depreciation	(1,374,295)	(1,687,750)	(1,078,272)	(125,491)	(4,265,808)
Net book amount	943,736	2,323,467	756,526	10,165	4,033,894
Year ended 31 December 2013:					
Opening net book amount	943,736	2,323,467	756,526	10,165	4,033,894
Additions	1,586,952	1,811,283	136,713	-	3,534,948
Depreciation	(431,938)	(943,471)	(249,534)	(8,949)	(1,633,892)
Closing net book amount	2,098,750	3,191,279	643,705	1,216	5,934,950
At 31 December 2013:					
Cost	3,904,983	5,822,500	1,971,511	122,251	11,821,245
Accumulated depreciation	(1,806,233)	(2,631,221)	(1,327,806)	(121,035)	(5,886,295)
Net book amount	2,098,750	3,191,279	643,705	1,216	5,934,950

### 11. FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i>
	£
Cost and net book amount:	
At 1 January 2013 and 31 December 2013	306,872

The company holds directly 100% of the ordinary share capital of Tag India Private Limited which is incorporated in India.

The directors believe that the book value of investments is supported by their underlying net assets.

### 12. CURRENT ASSET INVESTMENTS

Investments comprise short term holdings of shares in companies which are shown at cost.

### 13. INVENTORIES

	2013	2012
	£	£
Work in progress	2,336,677	2,876,210
Consumer products	121,780	121,780
	2,458,457	2,997,990

The difference between purchase price or production cost of inventories and their replacement cost is not material.

# Tag Europe Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2013 (continued)

### 14. DEBTORS

	2013 £	2012 £
Trade debtors	21,998,466	24,978,531
Amounts owed by group undertakings	8,137,414	42,406,623
Other debtors	3,815,857	4,989,341
Corporation tax	2,385,331	1,048,117
Deferred tax asset (note 8)	124,884	333,785
Prepayments and accrued income	4,573,829	8,230,178
	<u>41,035,781</u>	<u>81,986,575</u>

Trade debtors are stated after provisions for impairment of £1,143,517 (2012: £1,381,788).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 15. CREDITORS: amounts falling due within one year

	2013 £	2012 £
Trade creditors	2,890,772	3,738,083
Net obligations under hire purchase contracts	1,173	1,173
Amounts due to group undertakings – group in-house bank arrangement	6,769,459	19,204,902
Amounts due to group undertakings – interest bearing loan	10,013,717	30,043,068
Amounts due to group undertakings – other	9,138,646	6,977,282
Other taxes and social security costs	1,559,469	1,793,706
Other creditors	1,154,702	1,935,068
Accruals and deferred income	4,954,069	9,156,392
	<u>36,482,007</u>	<u>72,849,674</u>

Amounts due under the Deutsche Post AG group in-house bank arrangement are unsecured and repayable on demand. They bear interest at annual rates varying between 1.11% and 1.14% (2012: 1.13% and 1.21%).

The interest bearing loan is unsecured and repayable on demand. It bears interest at LIBOR plus 0.6%.

Other amounts due to group undertakings are unsecured, interest free and repayable on demand.

### 16. CALLED UP SHARE CAPITAL

	2013 Number	2012 Number	Allotted and fully paid 2013 £	2012 £
Ordinary shares of £1 each	9,600	9,600	9,600	9,600

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2013 (continued)

17. PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme for its employees. The scheme assets are held separately from those of the company in independently administered funds. The contribution payable during the year was £148,815 (2012: £190,020) and the pension payable outstanding at the year end was £nil (2012: £nil).

18. FINANCIAL COMMITMENTS

*Operating leases*

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2013	2012
	£	£
Payments due:		
Within one year	1,550,000	939,677
Between two and five years	2,403,324	1,515,000
In over five years	1,452,142	1,775,072
	<u>5,405,466</u>	<u>4,229,749</u>

*Capital commitments*

At 31 December 2013, the company had no committed capital expenditure (2012: £nil).

19. RELATED PARTIES

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the group.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

Tag Worldwide Group Limited is the company's immediate parent undertaking and Deutsche Post AG, which is incorporated in Germany, is the ultimate parent undertaking and controlling party. Deutsche Post AG is the parent undertaking of the smallest and largest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the group financial statements of Deutsche Post AG can be obtained from Deutsche Post World Net, Zentrale – Investor Relations, 53250 Bonn, Germany.

21. TRANSITION TO FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2012. The date of transition to FRS 102 was 1 January 2012.

There were no transition adjustments arising from the adoption of the new accounting policies prescribed by FRS 102 which had an effect on net equity or profit and loss account and consequently profit for the financial year ended 31 December 2012 and total equity as at 1 January 2012 and 31 December 2012 are as previously reported.

The following transition adjustment has had no effect on net equity or profit and loss account:

- Computer software, with a net book value of £541,748 at 31 December 2012, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets or on the profit for the year, except that the previous depreciation charge is now described as amortisation.