

American Express Europe Limited

Registered number FC11790

REPORT AND UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003



American Express Europe Limited

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American Express Europe Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

		2003 \$000	2002 \$000
	<i>Note</i>		
GROSS PROFIT		201,532	199,095
Operating and administrative expenses		(242,071)	(209,484)
OPERATING LOSS		(40,539)	(10,389)
Interest receivable and similar income	5	13,801	7,951
Interest payable and similar charges	6	(7,204)	(8,334)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(33,942)	(10,772)
Tax on loss on ordinary activities		13,785	1,432
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(20,157)	(9,340)
LOSS RETAINED FOR THE FINANCIAL YEAR		(20,157)	(9,340)

All profits and losses earned are derived from continuing activities.

American Express Europe Limited

BALANCE SHEET

As at 31 December 2003

	<i>Note</i>	2003 \$000	2002 \$000 Restated
FIXED ASSETS			
Intangible assets	7	35,540	32,117
Tangible assets	8	19,525	18,210
		<u>55,065</u>	<u>50,327</u>
CURRENT ASSETS			
Debtors	9	1,532,710	1,693,226
Cash at bank and in hand		500,494	310,286
		<u>2,033,204</u>	<u>2,003,512</u>
CREDITORS: amounts falling due within one year	10	<u>(1,976,922)</u>	<u>(1,928,772)</u>
NET CURRENT ASSETS		56,282	74,740
TOTAL ASSETS LESS CURRENT LIABILITIES		111,347	125,067
CREDITORS: amounts falling due after more than one year	11	<u>(71,346)</u>	<u>(64,474)</u>
		<u>40,001</u>	<u>60,593</u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Share premium account	13	49,999	49,999
Capital surplus	13	9,422	9,422
Profit and loss account	13	(19,421)	1,171
EQUITY SHAREHOLDERS' FUNDS		<u>40,001</u>	<u>60,593</u>

Approved by the Board of Directors on 15 June 2004 and signed on its behalf by:

N Kisnadwala

N Kisnadwala
Director

American Express Europe Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2003

	2003 \$000	2002 \$000
Loss for the financial year	(20,157)	(9,340)
Remitted	(435)	-
Net reduction/addition to shareholders' funds	<u>(20,592)</u>	<u>(9,340)</u>
Opening shareholders' funds	60,593	69,933
CLOSING SHAREHOLDERS' FUNDS	<u>40,001</u>	<u>60,593</u>

American Express Europe Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of preparation

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company's financial statements.

The company is incorporated in the United States of America and registered as a branch in England & Wales (BR897). The accounts are prepared under US GAAP taking advantage of exemptions disclosed in the Overseas Companies Accounts (Modifications and Exemptions) Order 1990.

The company has adopted SFAS143 "Accounting for Asset Retirement Obligations" in the financial year. This statement requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred.

Intangible assets

Goodwill is the difference between the cost of an acquired business and the aggregate of the fair value of that business' identifiable assets and liabilities. Positive goodwill is capitalised and classified as an asset on the balance sheet. SFAS142 "Goodwill and Other Intangible Assets" requires that such assets are reviewed for impairment annually. Management has conducted an impairment review in the year in accordance with SFAS142, which did not indicate any impairment.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets except freehold land at rates calculated to write off the original cost or valuation, less estimated residual value over the expected useful life of the assets as follows:

Leasehold improvements	- over 5 to 10 years or the lease term if less
Fixtures and fittings	- over 8 years
Plant and machinery	- over 3 to 8 years

Asset retirement obligations

Legal liability in respect of asset retirement or 'make good' obligations is recorded at fair value in the period it is incurred and accreted over the life of the underlying asset. The associated asset is capitalised and depreciated over the remaining life of the underlying asset. On settlement of the obligation, any difference between the final cost and the recorded liability is recognised in the profit and loss account.

Foreign currencies

Transactions of the company denominated in foreign currencies are translated into dollars at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at exchange rates prevailing at the end of the year. Resulting exchange gains and losses are taken to the profit and loss account.

American Express Europe Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

1. ACCOUNTING POLICIES *(continued)*

Leases

Rentals payable under operating leases are charged to the profit and loss account in equal amounts over the lease term.

Pensions

Contributions are made to the company's pension scheme for the funding of retirement benefits for each scheme member during his or her working life. The expected cost of providing pensions, as calculated by professional actuaries, is charged to the profit and loss account so as to spread the cost evenly over the remaining service lives of employees in the scheme.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	2003 \$000	2002 \$000
Depreciation of owned fixed assets	7,405	6,340
Loss/(profit) on disposal of fixed assets	261	(3,363)
Operating lease rentals - land and buildings	20,872	16,692
- plant and machinery	3,545	-
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3. DIRECTORS' REMUNERATION

	2003 \$000	2002 \$000
Remuneration	625	673
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American Express Europe Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

4. STAFF COSTS

	2003 \$000	2002 \$000
Wages and salaries	103,833	100,266
Social security costs	10,270	8,493
Other pension costs	2,491	3,917
	<u>116,594</u>	<u>112,676</u>

The average number of employees during the year was as follows:

	2003 No.	2002 No.
Management	75	73
Associate	2,192	2,364
	<u>2,267</u>	<u>2,437</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 \$000	2002 \$000
Group undertakings	11,303	4,072
Other interest receivable	2,498	3,879
	<u>13,801</u>	<u>7,951</u>

American Express Europe Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 \$000	2002 \$000
Group undertakings	5,205	5,334
Other interest payable	1,999	3,000
	<u>7,204</u>	<u>8,334</u>

7. INTANGIBLE ASSETS

Goodwill

	\$000
Cost	
At 1 January 2003	71,664
Exchange differences	7,638
At 31 December 2003	<u>79,302</u>

Amortisation

At 1 January 2003	39,547
Provided during the year	-
Exchange differences	4,215
At 31 December 2003	<u>43,762</u>

Net book value

At 31 December 2003	<u>35,540</u>
At 31 December 2002	<u>32,117</u>

American Express Europe Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Leasehold improvements	Fixtures and fittings	Plant and machinery	Assets in course of construction	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
At 1 January 2003	18,393	3,695	19,761	530	42,379
Exchange differences	1,960	394	2,106	56	4,517
Additions	2,660	-	4,146	1,436	8,242
Transfers	1,785	22	101	(1,908)	-
Disposals	(5,385)	(788)	(3,291)	(62)	(9,526)
At 31 December 2003	19,413	3,323	22,823	52	45,612
Depreciation					
At 1 January 2003	9,550	2,103	12,516	-	24,169
Exchange differences	1,018	224	1,334	-	2,575
Provided during the year	3,691	389	3,325	-	7,405
Disposals	(4,802)	(644)	(2,616)	-	(8,062)
At 31 December 2003	9,457	2,072	14,559	-	26,087
Net book value					
At 31 December 2003	9,956	1,251	8,264	52	19,525
At 31 December 2002	8,843	1,592	7,245	530	18,210

Included within the net book value of leasehold improvements is \$1,121,431 in respect of asset retirement obligations.

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NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

9. DEBTORS

	2003 \$000	2002 \$000 Restated
Trade debtors	285,327	224,621
Amounts receivable from group undertakings	1,051,045	1,067,768
Other debtors	117,040	327,358
Prepayments and accrued income	79,298	73,479
	<u>1,532,710</u>	<u>1,693,226</u>

Prepayments and accrued income includes an amount of \$61,219,460 (2002: \$60,268,000) in respect of a pension prepayment due to mature in more than one year.

2002 comparatives for debtors and creditors have been restated to reclassify a debit balance previously offset in creditors to other debtors.

10. CREDITORS: amounts falling due within one year

	2003 \$000	2002 \$000 Restated
Bank overdrafts	734,880	619,127
Trade creditors	429,320	329,924
Amounts owed to group undertakings	708,809	843,431
Other taxes and social security costs	3,003	1,950
Other creditors	57,450	100,836
Accruals and deferred income	43,460	33,504
	<u>1,976,922</u>	<u>1,928,772</u>

11. CREDITORS: amounts falling due after more than one year

	2003 \$000	2002 \$000
Amounts owed to parent company	<u>71,346</u>	<u>64,474</u>

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NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

12. SHARE CAPITAL

Authorised

	2003 No.	2002 No.
Ordinary shares of \$1 each	1,000,000	1,000,000
Preference shares of \$1 each	3,000	3,000

Allotted, called up and fully paid

	2003 No.	2002 No.	2003 \$	2002 \$
Ordinary shares of \$1 each	10	10	10	10
Preference shares of \$1 each	500	500	500	500

The holders of the 4% preference stock are entitled to receive a dividend when and as declared by the Board of Directors. These preference shares carry no votes at meetings, except as required by law.

On a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, \$100,000 per share.

13. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium \$000	Capital surplus \$000	Profit and loss \$000	Total \$000
At 1 January 2003	49,999	9,422	1,171	60,592
Loss for the year	-	-	(20,157)	(20,157)
Remitted	-	-	(435)	(435)
At 31 December 2003	49,999	9,422	(19,421)	40,000

American Express Europe Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 December 2003

14. COMMITMENTS

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2003	2002
	\$000	\$000
Operating leases which expire:		
- within one year	284	535
- within two to five years	5,139	1,990
- after five years	5,829	6,429

At 31 December 2003 the company had forward foreign exchange contracts in place with third parties amounting to \$360,992,268. The company's exposure is nil since it has back to back trades in place with fellow group undertakings.

15. ULTIMATE PARENT COMPANY

The ultimate parent and controlling undertaking is American Express Company, incorporated in the United States of America. The smallest group undertaking within which the company is included is American Express Travel Related Services Company Inc. which is also incorporated in the United States of America. Copies of the American Express Company accounts can be obtained from American Express Company, American Express Tower, World Financial Center, New York, NY 10285, USA.