

Company Registration No. 1534130

Nippon Express (U.K.) Limited

Report and Financial Statements

31 December 2003

**Deloitte & Touche LLP
London**



Nippon Express (U.K.) Limited

Report and financial statements 2003

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Nippon Express (U.K.) Limited

Report and financial statements 2003

Officers and professional advisers

Directors

K Sakurai
M Nozawa

Secretary

MT Jacob

Registered office

Units A1/A2 Parkway West
Cranford Lane
Heston
Hounslow
Middlesex TW5 9NE

Bankers

Bank of Tokyo-Mitsubishi, Ltd
Mizuho Corporate Bank Ltd
National Westminster Bank Plc
Royal Bank of Scotland plc
Sumitomo Bank Ltd
UFJ Bank Ltd

Solicitors

Maclay Murray & Spens
Richards Butler
Shaw Pittman
Wakefields

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Nippon Express (U.K.) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Review of the business and future prospects

The Group's principal activities during the year were that of freight forwarders.

The Group's profit for the year before taxation amounted to £1,360,181 (2002 – £1,295,667).

The Group has continued to invest in its core activities and the directors are confident the Group will continue its expansion.

Dividends

The directors recommended the payment of a dividend of £57,000 (2002 – £ nil).

Directors and their interests

The directors who served throughout the year are as follows:

K Sato
Y Inokawa
K Sakurai
M Nozawa

Neither of the directors has any beneficial interests in the share capital of the Company or any other Group company.

Employment of disabled persons and employee involvement

The Company and its subsidiaries give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled to promote their career development within the organisation.

The Group recognises the importance of good communication in relationships with its staff. The ultimate parent company produces regular magazines on the performance and development of activities of the world-wide Nippon Express group which seek to achieve common awareness on the part of all employees of the financial and economic circumstances affecting the Group's performance. These are available to all employees.

European monetary union

The group has taken all reasonable measures to enable it to transact in Euros with customers and suppliers when EMU came into effect on 1 January 1999. Preparations included the establishing of Euro bank facilities, updating the computer systems and where necessary the training of staff. As at 31 December 2003, the Group does not envisage reporting in Euros until the United Kingdom participates in EMU.

Nippon Express (U.K.) Limited

Directors' report


Pension Fund

Full details of the group's pension schemes are set out in Note 17. The Nippon Express (UK) Limited pension scheme was open to all qualifying permanent full-time and part-time employees of Nippon Express (UK) Limited up to 31 March 2003, and from that date the defined benefit 'final salary' scheme was closed to new entrants whilst continuing unchanged for current members. A new defined contribution benefit scheme has replaced the 'final salary' arrangements for current and future employees who are no longer able to join the final salary scheme.

Auditors

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



MT Jacob
Secretary

12 3 2004

Nippon Express (U.K.) Limited

Statement of directors' responsibilities

United Kingdom 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 the Group as at the end of the financial year and of the profit or loss of the Group 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Nippon Express (U.K.) Limited

We have audited the financial statements of Nippon Express (UK) Limited for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the statement of consolidated total recognised gains and losses, the statement of movement on consolidated reserves, the reconciliation of movements in consolidated equity shareholders' funds, the company profit and loss account, the statement of movement on reserves, the reconciliation of movements in equity shareholders' funds, the consolidated balance sheet, the company balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the Company or the Group have 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 with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the Group'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 affairs of the Company and the Group as at 31 December 2003 and of the profit of the Company and the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

22.3.2004

Nippon Express (U.K.) Limited

Consolidated profit and loss account Year ended 31 December 2003

	Note	2003 £	2002 £
Turnover: continuing operations	2	107,127,199	112,001,249
Operating profit	3		
Continuing operations		1,455,271	1,391,414
Discontinued operations		-	(19,236)
		<u>1,455,271</u>	<u>1,372,178</u>
Interest receivable and similar income		32,344	34,658
Interest payable and similar charges	5	<u>(127,434)</u>	<u>(111,169)</u>
Profit on ordinary activities before taxation		1,360,181	1,295,667
Tax on profit on ordinary activities	6	<u>(482,039)</u>	<u>(585,428)</u>
Profit on ordinary activities after taxation		878,142	710,239
Equity minority interests		<u>88,987</u>	<u>4,713</u>
Profit for the financial year		967,129	714,952
Dividends proposed	8	<u>(57,000)</u>	-
Retained profit for the financial year		<u><u>910,129</u></u>	<u><u>714,952</u></u>

Nippon Express (U.K.) Limited

Statement of consolidated total recognised gains and losses Year ended 31 December 2003

	2003 £	2002 £
Profit for financial year	967,129	714,952
Currency translation differences on foreign currency net investments	56,835	38,611
Total recognised gains since last annual report and financial statements	<u>1,023,964</u>	<u>753,563</u>

Statement of movements on consolidated reserves Year ended 31 December 2003

	Note	Foreign exchange translation £	Profit and loss account £	Total distributable reserves £
Balance at 1 January 2002		(78,616)	3,249,363	3,170,747
Profit for the year 2002		-	714,952	714,952
Foreign exchange translation differences 2002		38,611	-	38,611
Balance at 31 December 2002		(40,005)	3,964,315	3,924,310
Profit for the year 2003		-	910,129	910,129
Foreign exchange translation differences 2003		56,835	-	56,835
Pre liquidation capital contribution within Nippon Express Tours (Europe) Limited	14	-	1,500,000	1,500,000
Minority interest in capital contribution	14	-	(543,000)	(543,000)
Balance at 31 December 2003		<u>16,830</u>	<u>5,831,444</u>	<u>5,848,274</u>

Reconciliation of movements in consolidated equity shareholders' funds Year ended 31 December 2003

	Note	2003 £	2002 £
Profit for financial year		967,129	714,952
Dividends		(57,000)	-
		<u>910,129</u>	<u>714,952</u>
Currency translation differences on foreign currency net investments		56,835	38,611
Pre liquidation capital contribution within Nippon Express Tours (Europe) Limited	14	1,500,000	-
Minority interest in capital contribution	14	(543,000)	-
Net addition to shareholders' funds		<u>1,923,964</u>	<u>753,563</u>
Opening shareholders' funds		<u>6,774,310</u>	<u>6,020,747</u>
Closing shareholders' funds		<u>8,698,274</u>	<u>6,774,310</u>

Nippon Express (U.K.) Limited

Company profit and loss account Year ended 31 December 2003

	Note	2003 £	2002 £
Turnover: continuing operations		99,922,172	105,389,752
Cost of sales		(68,280,778)	(74,191,699)
Gross profit		31,641,394	31,198,053
Operating expenses:			
Distribution costs		(18,219,425)	(16,976,809)
Administrative expenses		(12,000,207)	(12,883,868)
Operating profit: continuing operations	3	1,421,762	1,337,376
Interest receivable and similar income		32,344	27,202
Interest payable and similar charges	5	(125,152)	(108,680)
Profit on ordinary activities before taxation		1,328,954	1,255,898
Tax on profit on ordinary activities	6	(441,835)	(575,679)
Profit for the financial year		887,119	680,219
Dividends proposed	8	(57,000)	-
Retained profit for the financial year		830,119	680,219
Balance brought forward		4,099,995	3,419,776
Balance carried forward		4,930,114	4,099,995

There were no other recognised gains or losses during the year.

Nippon Express (U.K.) Limited

Statement of movements on reserves Year ended 31 December 2003

	Profit and loss account £
Balance at 1 January 2002	3,419,776
Profit for the year 2002	680,219
Balance at 31 December 2002	4,099,995
Profit for the year 2003	830,119
Balance at 31 December 2003	4,930,114

Reconciliation of movements in equity shareholders' funds Year ended 31 December 2003

	2003 £	2002 £
Profit for financial year	887,119	680,219
Dividends	(57,000)	-
Net addition to shareholders' funds	830,119	680,219
Opening shareholders' funds	6,949,995	6,269,776
Closing shareholders' funds	7,780,114	6,949,995

Nippon Express (U.K.) Limited

Consolidated balance sheet 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible fixed assets	9	10,374,587	6,416,795
Investments	10	11	44
		<u>10,374,598</u>	<u>6,416,839</u>
Current assets			
Debtors	11	14,597,426	12,840,672
Cash at bank and in hand		<u>1,224,400</u>	<u>1,554,590</u>
		15,821,826	14,395,262
Creditors: amounts falling due within one year	12	<u>(15,068,150)</u>	<u>(14,491,804)</u>
Net current assets / (liabilities)		<u>753,676</u>	<u>(96,542)</u>
Total assets less current liabilities		<u>11,128,274</u>	<u>6,320,297</u>
Creditors: amounts falling due after more than one year	13	(2,430,000)	-
Equity minority interests	14	-	454,013
Total net assets		<u>8,698,274</u>	<u>6,774,310</u>
Capital and reserves			
Called up share capital	15	2,850,000	2,850,000
Profit and loss account		5,831,444	3,964,315
Other distributable reserves		<u>16,830</u>	<u>(40,005)</u>
Equity shareholders' funds		<u>8,698,274</u>	<u>6,774,310</u>

These financial statements were approved by the Board of Directors on 22.3.2004.

Signed on behalf of the Board of Directors



K Sakurai

Director

Nippon Express (U.K.) Limited

Company balance sheet 31 December 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible fixed assets	9		10,116,645		6,032,696
Investments	10		22,962		22,995
			<u>10,139,607</u>		<u>6,055,691</u>
Current assets					
Debtors	11	13,432,468		11,916,297	
Cash at bank and in hand		644,890		958,701	
		<u>14,077,358</u>		<u>12,874,998</u>	
Creditors: amounts falling due within one year	12	(14,006,851)		(11,980,694)	
Net current assets			<u>70,507</u>		<u>894,304</u>
Total assets less current liabilities			<u>10,210,114</u>		<u>6,949,995</u>
Creditors: amounts falling due after more than one year	13		(2,430,000)		-
Total net assets			<u>7,780,114</u>		<u>6,949,995</u>
Capital and reserves					
Called up share capital	15		2,850,000		2,850,000
Profit and loss account			4,930,114		4,099,995
Equity shareholders' funds			<u>7,780,114</u>		<u>6,949,995</u>

These financial statements were approved by the Board of Directors on

22. 3. 2004.

Signed on behalf of the Board of Directors



K Sakurai

Director

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. These have been consolidated via the acquisition method.

Tangible fixed assets

Depreciation is provided on fixed assets at rates calculated to write off the cost of each asset evenly over its expected life, as follows:

Long leasehold property	-	25 years
Plant and machinery	-	4 to 5 years
Motor vehicles	-	4 to 5 years
Leasehold improvements	-	over the period of the lease
Fixtures and fittings	-	4 to 8 years

Land is not depreciated.

Fixed asset investments

Fixed asset investments are stated at cost less any impairment in value.

Deferred taxation

Deferred taxation is provided in full on timing differences that 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 is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of the foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investments in the subsidiaries at the closing rates is taken direct to reserves.

Leasing

Rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

1. Accounting policies (continued)

Pension costs

The Company operates a defined contribution and a defined benefit pension scheme. The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

2. Turnover

Turnover represents the total amount invoiced for services rendered, including customs duty and value added tax paid on behalf of the customers. Analyses of turnover by class of business and geographical location are as follows:

	2003 £	2002 £
Class of business		
Freight forwarding	107,127,199	112,001,249
	<u>107,127,199</u>	<u>112,001,249</u>
Geographical location		
Europe	88,877,789	99,581,218
Rest of the world	11,044,383	12,420,031
	<u>99,922,172</u>	<u>112,001,249</u>

3. Operating profit

The Group	2003 £	2002 £
Turnover	107,127,199	112,001,249
Cost of Sales	(71,346,866)	(77,149,917)
Gross Profit	35,780,333	34,851,332
Distribution costs	(20,885,373)	(19,424,549)
Administrative expenses	(13,439,689)	(14,054,605)
Operating profit	<u>1,455,271</u>	<u>1,372,178</u>

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

3. Operating profit (continued)

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Operating profit is stated after charging/(crediting):				
Depreciation and other amounts written off tangible fixed assets:				
- Owned assets	965,675	1,006,446	783,898	813,131
Auditors' remuneration:				
- Audit fees	63,439	67,855	55,000	55,000
- Other services	70,312	59,689	70,312	55,689
Operating lease rentals				
- Plant and machinery	343,556	154,258	247,841	154,258
- Other	1,570,517	1,998,497	935,510	1,268,145
Profit on sale of tangible fixed assets	(87,328)	(60,290)	(75,002)	(45,075)
Exchange gains	(510,013)	(165,447)	(402,577)	(134,181)

4. Information regarding directors and employees

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Emoluments (excluding pension contributions and other long term incentive schemes)	278,660	333,999	278,660	333,999

None of the directors are a member of the defined benefit pension scheme (Note 15) (2002 - one).

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Highest paid director's remuneration:				
Aggregate of emoluments and awards under long term incentive schemes (excluding pension contributions)	101,996	175,442	101,996	175,442
	No.	No.	No.	No.
Office and management	262	290	239	265
Distribution	153	148	126	119
	415	438	365	384

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

4. Information regarding directors and employees (continued)

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Staff costs incurred during the year in respect of these employees were (including directors):				
Wages and salaries	10,700,419	10,391,670	9,470,151	9,218,305
Social security costs	1,028,982	912,606	920,729	858,512
Other pension costs	684,534	669,905	619,293	638,370
	<u>12,413,935</u>	<u>11,974,181</u>	<u>11,010,173</u>	<u>10,715,187</u>

5. Interest payable and similar charges

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts repayable under five years	65,160	111,169	62,878	108,680
Bank loans and overdrafts repayable in five years and over	62,274	-	62,274	-
	<u>127,434</u>	<u>111,169</u>	<u>125,152</u>	<u>108,680</u>

6. Tax charge on profit on ordinary activities

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
<i>Current Taxation:</i>				
United Kingdom corporation tax at 30% (2002- 30%)	340,750	584,058	299,623	582,820
Prior year adjustment	(567)	(1,379)	355	(1,379)
	<u>340,183</u>	<u>582,679</u>	<u>299,978</u>	<u>581,441</u>
<i>Overseas taxation:</i>				
Charge for current period	-	12,266	-	-
Prior year adjustment	-	(3,755)	-	-
	<u>340,183</u>	<u>591,190</u>	<u>299,978</u>	<u>581,441</u>
<i>Deferred Taxation:</i>				
Timing differences, origination and reversal	142,276	(5,693)	142,276	(5,693)
Adjustment in respect of prior years	(420)	(69)	(419)	(69)
	<u>141,856</u>	<u>(5,762)</u>	<u>141,857</u>	<u>(5,762)</u>
Total deferred tax charge / (credit)	<u>141,856</u>	<u>(5,762)</u>	<u>141,857</u>	<u>(5,762)</u>
Tax on profit on ordinary activities	<u>482,039</u>	<u>585,428</u>	<u>441,835</u>	<u>575,679</u>

Nippon Express (U.K.) Limited

Notes to the accounts

Year ended 31 December 2003

6. Tax charge on profit on ordinary activities (continued)

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are explained below:

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Profit on ordinary activities before taxation	1,360,181	1,295,667	1,328,954	1,255,898
Tax at 30% thereon (2002 – 30%)	408,054	388,700	398,686	376,769
Plus/(less) the effect of:				
Expenses not deductible for tax purposes	171,076	77,315	81,511	67,597
Provision for professional fees not deductible for tax purposes	-	132,761	-	132,761
Capital allowances in excess of depreciation	(132,747)	6,551	(132,519)	5,675
Utilisation of tax losses	-	-	-	-
Movement in short term timing differences	(9,757)	18	(9,757)	18
Non taxable income	(38,298)	-	(38,298)	-
Lower rates of tax on overseas earnings	(57,578)	(9,021)	-	-
Prior period adjustments	(567)	(5,134)	355	(1,379)
	340,183	591,190	299,978	581,441

7. Deferred taxation

Group and company	£	
At 1 January 2002	414,129	
Deferred tax credit for year ended 31 December 2002	5,762	
At 31 December 2002	419,891	
Deferred tax charge for year ended 31 December 2003	(141,857)	
At 31 December 2003	278,034	
	2003	2002
	£	£
Analysis of deferred tax asset:		
Capital allowances in excess of depreciation	287,615	419,715
Short term timing differences	(9,581)	176
	278,034	419,891

A deferred tax asset in respect of timing differences relating to capital losses has not been recognised as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £10,716 (2002 - £10,716). The asset would be recovered if suitable profits arise in the future.

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

8. Dividends

	Group and Company	
	2003	2002
	£	£
Final proposed – 2p per ordinary share (2002 – nil p)	57,000	-

9. Tangible fixed assets

The Group	Land and long leasehold property £	Plant And Machinery £	Motor vehicles £	Leasehold improve- ments £	Fixtures and Fittings £	Total £
Cost						
At 1 January 2003	6,500,000	1,944,445	3,373,373	1,693,820	1	13,511,639
Foreign exchange translation differences	-	21,048	49,205	2,658	-	72,911
Additions	3,845,000	415,275	643,494	91,784	-	4,995,553
Disposals	-	(127,882)	(952,054)	(9,104)	-	(1,089,040)
At 31 December 2003	10,345,000	2,252,886	3,114,018	1,779,158	1	17,491,063
Accumulated depreciation						
At 1 January 2003	1,634,001	1,651,028	2,317,350	1,492,464	1	7,094,844
Foreign exchange translation differences	-	10,121	33,797	749	-	44,667
Charge for the year	190,452	142,251	568,959	64,013	-	965,675
Disposals	-	(127,883)	(851,723)	(9,104)	-	(988,710)
At 31 December 2003	1,824,453	1,675,517	2,068,383	1,548,122	1	7,116,476
Net book value						
At 31 December 2003	8,520,547	577,369	1,045,635	231,036	-	10,374,587
At 31 December 2002	4,865,999	293,417	1,056,023	201,356	-	6,416,795

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

9. Tangible fixed assets (continued)

The Company	Land and long leasehold property £	Plant and machinery £	Motor vehicles £	Leasehold improve- ments £	Fixtures and Fittings £	Total £
Cost						
At 1 January 2003	6,500,000	1,693,323	2,744,583	1,660,998	1	12,598,905
Additions	3,845,000	370,137	643,494	91,784	-	4,950,415
Disposals	-	(120,939)	(859,263)	(9,104)	-	(989,306)
At 31 December 2003	10,345,000	1,942,521	2,528,814	1,743,678	1	16,560,014
Accumulated depreciation						
At 1 January 2003	1,634,001	1,537,806	1,909,596	1,484,805	1	6,566,209
Charge for the year	190,452	84,074	452,326	57,046	-	783,898
Disposals	-	(120,939)	(776,695)	(9,104)	-	(906,738)
At 31 December 2003	1,824,453	1,500,941	1,585,227	1,532,747	1	6,443,369
Net book value						
At 31 December 2003	8,520,547	441,580	943,587	210,931	-	10,116,645
At 31 December 2002	4,865,999	155,517	834,987	176,193	-	6,032,696

10. Investments

	The Group		The Company	
	2003 £	2002 £	2003 £	2002 £
Shares in subsidiary undertakings	-	-	22,951	22,951
Other investments other than loans	11	44	11	44
	11	44	22,962	22,995

During the year Nippon Express Tours (Europe) Limited was liquidated. Further details are given in note 14.

Details of the principal subsidiaries at 31 December 2003 are as follows:

Direct	Proportion of shares and voting rights	Principal activity	Country of incorporation and operation
Nippon Express (Ireland) Ltd	100%	Freight forwarder	Republic of Ireland

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

11. Debtors

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	8,669,144	7,218,409	7,735,073	6,596,039
Amounts owed by the parent company	2,785,671	2,564,786	2,046,953	1,933,865
Amounts owed by fellow subsidiary undertakings	1,538,111	1,279,733	1,408,615	1,185,909
Amounts owed by subsidiary undertakings	-	-	798,625	583,473
Value added tax recoverable	437,055	340,287	400,891	313,664
Corporation tax recoverable	-	58,567	-	-
Deferred tax asset	278,034	419,891	278,034	419,891
Prepayments and accrued income	889,411	958,999	764,277	883,456
	<u>14,597,426</u>	<u>12,840,672</u>	<u>13,432,468</u>	<u>11,916,297</u>

Included in the above are the following amounts falling due after more than one year:

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Deferred tax asset	<u>278,034</u>	<u>419,891</u>	<u>278,034</u>	<u>419,891</u>

12. Creditors: amounts falling due within one year

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdraft – unsecured	1,270,000	230,000	1,270,000	230,000
Trade creditors	6,503,642	7,368,590	5,934,038	6,840,809
Amounts owed to the parent company	2,138,534	2,669,240	2,043,051	1,093,858
Amounts owed to fellow subsidiary undertakings	1,999,953	1,045,192	1,825,396	914,405
Amounts owed to subsidiary undertakings	-	-	77,072	52,581
UK corporation tax	117,623	372,058	117,623	370,820
Overseas tax	36,767	10,436	-	-
Other taxes and social security costs	417,586	396,324	372,877	358,797
Accruals and deferred income	2,527,045	2,399,964	2,309,794	2,119,424
Dividends payable	57,000	-	57,000	-
	<u>15,068,150</u>	<u>14,491,804</u>	<u>14,006,851</u>	<u>11,980,694</u>

Nippon Express (U.K.) Limited

Notes to the accounts

Year ended 31 December 2003

13. Creditors: amounts falling due after more than one year

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts repayable – Amounts owed to parent company:				
After five years	2,430,000	-	2,430,000	-
	<u>2,430,000</u>	<u>-</u>	<u>2,430,000</u>	<u>-</u>

14. Minority interests

During the year a subsidiary of the group, Nippon Express Tours (Europe) Limited entered into a members' voluntary liquidation. As a result at 31 December 2003 the group experienced a severe long term restriction over this subsidiary and it has therefore been excluded from the consolidated group accounts. The liquidation was enabled by the capitalisation of a £1.5m balance payable to its ultimate parent company, Nippon Express Company Limited. As a result of this the group's share of this amount, £957,000, has been credited directly to the profit and loss account.

	2003 £
At 1 January 2003	454,013
Liquidation of Nippon Express Tours (Europe) Limited	(454,013)
At 31 December 2003	<u>-</u>

15. Called up share capital

	2003 £	2002 £
Authorised:		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Called up, allotted and fully paid:		
2,850,000 shares of £1 each	<u>2,850,000</u>	<u>2,850,000</u>

16. Ultimate parent company and related party transactions

The company's ultimate and immediate parent company and controlling party is Nippon Express Company Limited, a company incorporated in Japan and is the largest and smallest of such group undertakings of which the company is a member and for which group accounts are prepared. Copies of its financial statements are publicly available from Higashi Shimbashi 1-9-3, Minato-ku, Tokyo, 105-8322, Japan.

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Nippon Express group companies.

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Notes to the accounts

Year ended 31 December 2003

17. Pensions schemes

The Company currently operates a defined benefit and defined contribution pension scheme for all qualifying employees. The defined benefit pension scheme was open to all qualifying permanent full-time and part-time employees of Nippon Express (UK) Limited up to 31 March 2003, and from that date the defined benefit scheme was closed to new entrants whilst continuing unchanged for current members. A new defined contribution scheme has replaced the defined benefit scheme arrangements for current and future employees who are no longer able to join the defined contribution scheme.

The Company currently accounts for pensions under SSAP 24. Under the transitional arrangements for FRS 17, the company is required to provide additional disclosures relating to its pension scheme. This disclosure is set out below.

SSAP 24 Accounting for pension costs

The assets of the schemes are held in a separate trustee administered fund. The total payment for retirement benefits for the Company was £564,185 (2002 – £575,835). A valuation was carried out by an independent actuary at 6 April 2001 using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following actuarial assumptions were applied:

Investments returns	7% per annum
Salary growth	5% per annum

At the last actuarial valuation date, the market value of the assets of the scheme was £3,524,000 and this actuarial value was sufficient to cover 95% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the deficit disclosed by the valuation.

FRS 17 Retirement Benefits

The figures below have been based on a full actuarial valuation as at 6 April 2001, updated to the current year end. For the purpose of these financial statements, these figures are illustrative only and do not impact on the actual 31 December 2003 balance sheet.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

	2003 % per annum	2002 % per annum	2001 % per annum
Inflation	3%	2.5%	2.75%
Salary increases	4.75%	4.25%	4.5%
Rate of discount	5.5%	5.25%	6%
Pension in payment increases	3%	2.5%	2.75%
Revaluation rate for deferred pensioners	3%	2.5%	2.75%

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Notes to the accounts Year ended 31 December 2003

17. Pensions schemes (continued)

The balance sheet position of the scheme as calculated under FRS 17 at 31 December is as follows:

	2003 £	2002 £	2001 £
Equities	3,720,000	2,881,000	3,410,000
Bonds	489,000	534,000	470,000
Cash	100,000	158,000	210,000
Property	540,000	155,000	40,000
Total market value of assets	4,849,000	3,728,000	4,130,000
Present value of scheme liabilities	(7,141,000)	(6,013,000)	(4,120,000)
Pension (deficit) / surplus	(2,292,000)	(2,285,000)	10,000
Related deferred tax asset / (liability)	687,600	685,500	(3,000)
Net pension (deficit) / surplus	(1,604,400)	(1,599,500)	7,000

The expected long term rate of return of these assets is as follows:

	2003	2002	2001
Equities	7.75%	7.75%	7%
Bonds	4.75%	4.5%	5.25%
Cash	3.75%	4%	-
Property	7.75%	7.75%	-

Illustrative amounts which would have been charged to the profit and loss account

	2003 £	2002 £
<i>Operating charge</i>		
Current service cost	520,000	484,000
Total operating charge	520,000	484,000
<i>Other finance charges</i>		
Interest on pension scheme liabilities	330,000	262,000
Expected return on pension scheme assets	(279,000)	(297,000)
Net finance charge	51,000	(35,000)
Total charge to profit and loss account	571,000	449,000

Nippon Express (U.K.) Limited

Notes to the accounts Year ended 31 December 2003

17. Pensions schemes (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2003 £	2002 £
Actual return less expected return on pension scheme assets	475,000	(1,191,000)
Experience gains and losses arising on scheme liabilities	(3,000)	(21,000)
Changes in assumptions underlying the present value of the scheme liabilities	(276,000)	(1,066,000)
Actuarial gain recognised in STRGL	<u>196,000</u>	<u>(2,278,000)</u>

History of experience gains and losses

	2003 £	2002 £
Difference between expected and actual return on assets:		
Amount (£)	475,000	(1,191,000)
Percentage of scheme assets	9.8%	(31.9%)
Experience gains and losses arising on scheme liabilities:		
Amount (£)	(3,000)	(21,000)
Percentage of present value of scheme liabilities	0%	(0.3%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount (£)	(276,000)	(1,066,000)
Percentage of present value of scheme liabilities	(3.9%)	(17.7%)
Total amount recognised in STRGL	<u>196,000</u>	<u>(2,278,000)</u>
Percentage of present value of scheme liabilities	<u>2.7%</u>	<u>(37.9%)</u>

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17. Pensions schemes (continued)

Movement in deficit during the year

	2003 £	2002 £
(Deficit) / Surplus in scheme at beginning of year	(2,285,000)	10,000
Movement in the year:		
Current service cost	(520,000)	(484,000)
Net finance charge	(51,000)	35,000
Contributions	368,000	432,000
Actuarial gain / (loss)	196,000	(2,278,000)
Deficit in scheme at end of year	<u>(2,292,000)</u>	<u>(2,285,000)</u>

Net assets information

	2003 £	2002 £
Net assets excluding pension deficit	7,780,114	6,949,995
Pension deficit net of related deferred tax asset	<u>(1,604,400)</u>	<u>(1,599,500)</u>
Net assets include pension deficit	<u>6,175,714</u>	<u>5,350,495</u>

Reserves information

	2003 £	2002 £
Profit and loss reserve excluding pension asset	4,930,114	4,099,995
Pension reserve net of related deferred tax asset	<u>(1,604,400)</u>	<u>(1,599,500)</u>
Profit and loss reserve	<u>3,325,714</u>	<u>2,500,495</u>

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Notes to the accounts Year ended 31 December 2003

18. Operating lease commitments

At 31 December 2003 the Group was committed to making the following payments during the next year in respect of operating leases:

The Group	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	37,500	157,020	29,647	11,003
Within two to five years	103,000	129,458	877,157	94,421
After five years	1,391,211	-	653,128	-
	<u>1,531,711</u>	<u>286,478</u>	<u>1,559,932</u>	<u>105,424</u>

The Company	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	37,500	157,020	29,647	11,003
Within two to five years	103,000	98,174	827,500	33,173
After five years	795,550	-	104,450	-
	<u>936,050</u>	<u>255,194</u>	<u>961,597</u>	<u>44,176</u>

19. Financial commitments

As at 31 December 2003, the group had entered into capital commitments with a value of £nil (2002 – £420,715). There were no other financial commitments at the year end.