

Registered No 1534130

# **Nippon Express (U.K.) Limited**

## **Report and Financial Statements**

31 December 2013



**Director**

K Noda

**Secretary**

M T Jacob

**Auditor**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Bankers**

Bank of Tokyo-Mitsubishi UFJ Limited  
Barclays Bank Plc  
Mizuho Corporate Bank Limited  
Sumitomo Mitsui Trust Bank Limited

**Solicitors**

Maclay Murray & Spens LLP  
Morgan Lewis & Bockius LLP  
Penningtons Solicitors LLP  
Thring Townsend Lee & Pembertons  
TLT Solicitors

**Registered Office**

Heathrow 360  
2 Millington Road  
Hayes  
Middlesex UB3 4AZ

Registered No 1534130

## Strategic report

### Results and dividends

The group's loss for the year after taxation amounted to £77,153 (2012 - profit of £997,937)

A dividend was paid during the year of £5,000,000 (2012 - £Nil) The director recommends the payment of a final dividend of £Nil for 2013 (2012 - £5,000,000)

### Review of the business, key performance indicators and future developments

Difficult trading conditions continued to affect the company's customers resulting in a decrease in revenue and profit The Group's key performance indicator of profit before tax and exceptional items decreased from £1,239,380 to £76,464 Operating profit decreased from £963,894 in 2012 to a loss of £92,875 in 2013

In order to increase revenue the company is developing the sales team to gain new customers and obtain more business from existing customers

The Irish subsidiary operating profit decreased by 98% to €5,029 due to pressure on rates and a decrease in volumes

The Group continues to hold a healthy cash balance and maintain strict control of its debtors, and the overheads of the Group are constantly under review The company invested in new trucks and equipment amounting to £798,417 during the year

### Principal risks and uncertainties

The economic situation is expected to remain very tough in the coming year

The rising cost of fuel, utilities and insurance premiums coupled with price pressure from customers gives cause for concern

### Going concern

The group and company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus we continue to adopt the going concern basis of accounting in preparing the annual financial statements

On behalf of the Board of Directors



M. T. Jacob

Secretary

Date

11th March 2014

## **Director's report**

The director presents his report and financial statements for the year ended 31 December 2013

### **Principal activity**

The group's principal activity during the year was the provision of freight forwarding services

### **Director**

The director who served the company during the year was as follows K Noda

### **Disabled employees**

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

### **Employee involvement**

The group recognises the importance of good communications in relationships with its staff. The ultimate parent undertaking produces regular communications on the performance and development of activities of the worldwide Nippon Express Group, which seeks 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

### **Policy and practice on payment of creditors**

It is the group and company policy that payments are made in accordance with those terms and conditions agreed between the company and its supplier, provided that all trading terms and conditions have been complied with

At 31 December 2013, the Nippon Express (UK) Limited group had an average of 51 days (2012 – 54 days) purchases outstanding in trade creditors and for the company 46 days (2012 – 49 days)

### **Pension fund**

Full details of the group's pension schemes are set out in note 18. The Nippon Express (U K ) Limited final salary pension scheme was open to all qualifying permanent full-time and part-time employees of Nippon Express (U K ) Limited up to 31 March 2003, and from that date the final salary scheme was closed to new entrants. The scheme was closed on 1 October 2009 to future accrual. A new defined contribution benefit scheme has replaced all the final salary arrangements for current and future employees

### **Post balance sheet events**

After the balance sheet date, the company obtained a community transit guarantee with HM Revenue and Customs of £5,300,000. The guarantee is in respect of VAT and duty arising on movement of goods within the EU by Nippon Express (UK) Ltd

### **Disclosure of information to the auditor**

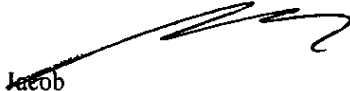
So far as the director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the group's auditor, the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

## Director's report (continued)

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting

On behalf of the Board of Directors

  
M T Jacob

Secretary

Date 11th March 2014

## Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

**to the members of Nippon Express (U K.) Limited**

We have audited the financial statements of Nippon Express (U K ) Limited for the year ended 31 December 2013 which comprise the Group and Company Profit and Loss Account, the Group and Company Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group and Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 director and auditor**

As explained more fully in the Statement of Director's Responsibilities set out on page 5, the director is 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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 group's and the parent undertaking's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements 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 the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group and company's affairs as at 31 December 2013 and of the loss of the group and company 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.

## **Opinion on other matter prescribed by the Companies Act 2006**

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

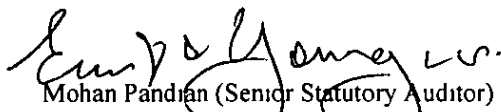
## **Independent auditor's report (continued)**

**to the members of Nippon Express (U.K.) Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent undertaking, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent undertaking financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mohan Pandian (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date **13 MAR 2014**



## Group profit and loss account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Turnover</b>	2	82,214,472	93,271,597
Cost of sales		(58,364,290)	(66,039,622)
<b>Gross profit</b>		23,850,182	27,231,975
<b>Operating (loss)/profit</b>	3	(92,875)	963,894
Interest receivable and similar income		90,339	132,490
Interest payable and similar charges	6	-	(4)
Other finance income	7	79,000	143,000
<b>Profit on ordinary activities before taxation</b>		76,464	1,239,380
Tax	8	(153,617)	(241,443)
<b>(Loss)/Profit for the financial year</b>	16	(77,153)	997,937

All amounts relate to continuing activities

## Group statement of total recognised gains and losses

for the year ended 31 December 2013

	Notes	2013 £	2012 £
(Loss)/Profit for financial year		(77,153)	997,937
Currency translation differences on foreign currency net investments		66,969	(71,441)
Actuarial loss recognised on defined benefit pension scheme	18	(296,000)	(1,081,000)
Movement on deferred tax relating to pension liability		68,820	264,845
<b>Total recognised (losses)/gains for the year</b>		(237,364)	110,341

## Reconciliation of movements in group shareholders' funds

	2013 £	2012 £
Total recognised (losses)/gains for the year	(237,364)	110,341
Dividend	(5,000,000)	-
<b>Net (loss)/gain to shareholders' funds</b>	(5,237,364)	110,341
Opening shareholders' funds	15,717,842	15,607,501
<b>Closing shareholders' funds</b>	10,480,478	15,717,842

## Company profit and loss account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Turnover</b>	2	73,752,808	85,143,153
Cost of sales		(52,209,352)	(60,669,934)
<b>Gross profit</b>		21,543,456	24,473,219
Operating expenses			
Distribution costs		(12,118,245)	(14,087,098)
Administrative expenses		(9,522,363)	(9,648,710)
<b>Operating loss</b>		(97,152)	737,411
Interest receivable and similar income		66,550	111,689
Interest payable and similar charges	6	-	(4)
Other finance income	7	79,000	143,000
<b>Profit on ordinary activities before taxation</b>		48,398	992,096
Tax	8	(139,536)	(209,278)
<b>(Loss)/profit for the financial year</b>	16	(91,138)	782,818

All amounts relate to continuing activities

## Company statement of total recognised gains and losses

for the year ended 31 December 2013

	Notes	2013 £	2012 £
(Loss)/Profit for financial year		(91,138)	782,818
Actuarial loss on defined benefit pension scheme	18	(296,000)	(1,081,000)
Movement on deferred tax relating to pension liability		68,820	264,845
<b>Total recognised losses for the year</b>		(318,318)	(33,337)

## Company reconciliation of movements in shareholders' funds

	2013 £	2012 £
Total recognised losses for the year	(318,318)	(33,337)
Dividend	(5,000,000)	-
<b>Net loss to shareholders' funds</b>	(5,318,318)	(33,337)
Opening shareholders' funds	13,132,366	13,165,703
<b>Closing shareholders' funds</b>	7,814,048	13,132,366

## Group balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Tangible fixed assets	10	2,388,623	2,126,333
<b>Current assets</b>			
Debtors	12	10,913,055	12,015,286
Cash at bank and in hand		9,560,595	14,201,702
		<u>20,473,650</u>	<u>26,216,988</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(9,973,242)</u>	<u>(10,431,483)</u>
<b>Net current assets</b>		<u>10,500,408</u>	<u>15,785,505</u>
<b>Total assets less current liabilities</b>		12,889,031	17,911,838
<b>Provisions for liabilities</b>	14	<u>(662,153)</u>	<u>(540,036)</u>
<b>Net assets excluding pension liability</b>		12,226,878	17,371,802
<b>Pension liability</b>	18	<u>(1,746,400)</u>	<u>(1,653,960)</u>
<b>Net assets including pension liability</b>		<u>10,480,478</u>	<u>15,717,842</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,850,000	2,850,000
Profit and loss account	16	7,088,294	12,392,627
Other distributable reserves	16	<u>542,184</u>	<u>475,215</u>
<b>Shareholders' funds</b>		<u>10,480,478</u>	<u>15,717,842</u>

The financial statements were approved by

K Noda

Director

Date

11th March 2014

## Company balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Tangible fixed assets	10	2,374,714	2,116,278
Investments	11	<u>22,951</u>	<u>22,951</u>
		<u>2,397,665</u>	<u>2,139,229</u>
<b>Current assets</b>			
Debtors	12	9,595,532	10,271,756
Cash at bank and in hand		<u>7,242,569</u>	<u>11,918,626</u>
		16,838,101	22,190,382
<b>Creditors: amounts falling due within one year</b>	13	<u>(9,065,632)</u>	<u>(9,036,101)</u>
<b>Net current assets</b>		<u>7,772,469</u>	<u>13,154,281</u>
<b>Total assets less current liabilities</b>		10,170,134	15,293,510
<b>Provisions for liabilities</b>	14	<u>(609,686)</u>	<u>(507,184)</u>
<b>Net assets excluding pension liabilities</b>		9,560,448	14,786,326
<b>Pension liability</b>	18	<u>(1,746,400)</u>	<u>(1,653,960)</u>
<b>Net assets including pension liabilities</b>		<u>7,814,048</u>	<u>13,132,366</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,850,000	2,850,000
Profit and loss account	16	<u>4,964,048</u>	<u>10,282,366</u>
<b>Shareholders' funds</b>		<u>7,814,048</u>	<u>13,132,366</u>

The financial statements were approved by

K Noda

Director

Date 11th March 2014

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

#### *Statement of cash flows*

The company and group are entitled to an exemption from preparing a statement of cash flows as permitted by FRS 1 (revised). The company's ultimate parent undertaking is Nippon Express Company Limited, a company incorporated in Japan, which prepares publicly available group financial statements

#### *Going concern*

The director has a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of Nippon Express (U K ) Limited and its subsidiary undertaking drawn up to 31 December each year. These financial statements have been consolidated using acquisition accounting

#### *Tangible fixed assets*

Depreciation is provided on fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life, as follows

Long leasehold property	–	25 years
Plant and machinery	–	4 to 5 years
Motor vehicles	–	4 to 5 years
Forklifts	–	4 to 5 years
Leasehold improvements	–	over the period of the lease

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

#### *Investments*

Fixed asset investments are stated at cost less impairment in value

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

#### *Revenue recognition*

Revenue is recognised at the point of delivery for domestic deliveries and imports, or for exports at the point where freight leaves the port

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions

Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiary only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### *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 subsidiary are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in the subsidiary at the closing rates is taken directly to reserves

#### *Operating leases*

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term

#### *Pensions*

The company operates both a defined contribution scheme and a defined benefit scheme. The defined contribution scheme contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

For the defined benefit scheme, the company recognises the net assets or liabilities of the scheme in the balance sheet, net of any related deferred tax liability or asset. The changes in the scheme assets and liabilities, based on actuarial advice, are recognised as follows

The current service cost, based on the most recent actuarial valuation, is deducted in arriving at operating profit

The interest cost, based on the present value of scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest

The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in scheme assets during the year, is included as interest

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Pensions (continued)*

Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses

### 2. Turnover

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

	2013	2012
<i>Group</i>	£	£
<b><i>Class of business</i></b>		
Freight forwarding	82,214,472	93,271,597
<b><i>Geographical location</i></b>		
Europe	60,485,492	69,324,661
Rest of the world	21,728,980	23,946,936
	<u>82,214,472</u>	<u>93,271,597</u>

	2013	2012
<i>Company</i>	£	£
<b><i>Class of business</i></b>		
Freight forwarding	73,752,808	85,143,153
<b><i>Geographical location</i></b>		
Europe	57,029,839	65,979,822
Rest of the world	16,722,969	19,163,331
	<u>73,752,808</u>	<u>85,143,153</u>

### 3. Operating (loss)/profit

	2013	2012
<i>Group</i>	£	£
Turnover	82,214,472	93,271,597
Cost of sales	<u>(58,364,290)</u>	<u>(66,039,622)</u>
Gross profit	23,850,182	27,231,975
Distribution costs	<u>(13,668,828)</u>	<u>(15,670,716)</u>
Administrative expenses	<u>(10,274,229)</u>	<u>(10,597,365)</u>
	<u>(92,875)</u>	<u>963,894</u>

## Notes to the financial statements

at 31 December 2013

### 3. Operating (loss)/profit (continued)

This is stated after charging/(crediting)

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Auditor remuneration – Audit of the financial statements	74,052	79,100	74,052	79,100
Other fees to auditors – local statutory audit of subsidiary	20,895	19,916	-	-
– taxation services	24,023	22,811	18,329	18,150
– other services	1,500	2,850	1,500	2,850
Depreciation and other amounts written off tangible fixed assets	544,554	568,455	539,981	552,289
Operating lease rentals				
– plant and machinery	14,294	39,790	14,294	39,790
– land and buildings	1,726,952	1,742,348	1,665,959	1,685,019
Profit on disposal of tangible fixed assets	(109,251)	(62,296)	(65,880)	(58,648)
Foreign exchange gains	(154,832)	(100,207)	(52,854)	(25,557)

### 4. Director's remuneration

	<i>Group and Company</i>	
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Director's remuneration	208,205	220,643

The director is not a member of the defined benefit pension scheme (note 18) (2012 – none) No pension contributions were made for the director

	<i>Group and Company</i>	
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Highest paid director's remuneration		
Aggregate of remunerations	208,205	164,067



## Notes to the financial statements

at 31 December 2013

### 5. Staff costs

Staff costs incurred during the year in respect of these employees (including the director) were

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	9,424,118	9,463,372	8,665,729	8,670,155
Social security costs	912,042	889,945	841,771	810,217
Other pension costs	422,979	399,320	369,708	341,266
	<u>10,759,139</u>	<u>10,752,637</u>	<u>9,877,208</u>	<u>9,821,638</u>

The average monthly number of employees was

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
Office and management	179	179	168	166
Distribution	125	121	118	114
	<u>304</u>	<u>300</u>	<u>286</u>	<u>280</u>

### 6. Interest payable and similar charges

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Other interest payable	-	4	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>

### 7. Other finance income

	<i>Group and Company</i>	
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Expected return on pension scheme assets	648,000	696,000
Interest on pension scheme liabilities	(569,000)	(553,000)
	<u>79,000</u>	<u>143,000</u>

## Notes to the financial statements

at 31 December 2013

### 8. Tax

(a) Tax on profit on ordinary activities The tax charge is made up as follows

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Current tax:</b>				
UK corporation tax on the profit for the year	(27,361)	27,364	(27,361)	27,364
Prior year adjustment	(4)	-	(4)	-
	(27,365)	27,364	(27,365)	27,364
Current year foreign tax	9,648	26,920	-	-
Prior year foreign tax	(7,370)	1,435	-	-
Total current tax (note 8(b))	(25,087)	55,719	(27,365)	27,364
<b>Deferred tax.</b>				
Reversal of timing differences non-pension related	108,832	45,729	97,029	41,919
Reversal of timing differences pension related	126,260	207,556	126,260	207,556
Tax losses	(56,388)	(67,561)	(56,388)	(67,561)
Total deferred tax charge	178,704	85,724	166,901	181,914
Tax on profit on ordinary activities	153,617	241,443	139,536	209,278

(b) Factors affecting the current tax (credit)/charge for the year The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%) The differences are explained below

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Profit on ordinary activities before tax	76,464	1,239,380	48,398	992,096
profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25 % (2012 – 24.5%)	17,778	303,648	11,253	243,064
<i>Effects of</i>				
Expenses not deductible for tax purposes	46,319	40,157	46,107	39,986
Accelerated capital allowances	(95,754)	(34,773)	(89,257)	(29,984)
Foreign tax on medical premiums	3,701	3,403	-	-
Other timing differences	6,194	(3,341)	12,078	-
Difference in rates of foreign tax on overseas income	(3,018)	(29,674)	-	-
Higher rate on passive income	2,974	566	-	-
Unrelieved tax losses carried forward	74,141	(59,102)	74,141	(59,102)
Pension provision	(60,683)	(166,600)	(60,683)	(166,600)
Adjustments in respect of prior years	4,261	1,435	(4)	-
Differences in tax rates on losses carried forward	(21,000)	-	(21,000)	-
Current tax for the year (note 8(a))	(25,087)	55,719	(27,365)	27,364

## Notes to the financial statements

at 31 December 2013

### 8. Tax (continued)

(c) Deferred tax

	<i>Group</i> £	<i>Company</i> £
Deferred tax asset as at 1 January 2013	313,443	296,186
Foreign exchange translation difference	701	-
Deferred tax rate change	(43,023)	(43,023)
Provided during the year	(8,481)	3,322
Adjustments in respect of prior years	(940)	(940)
Deferred tax asset as at 31 December 2013 (note 12)	<u>261,700</u>	<u>255,545</u>

	<i>Group</i> 2013 £	2012 £	<i>Company</i> 2013 £	2012 £
Analysis of deferred tax asset recognised				
Depreciation in excess of capital allowances	137,752	245,883	131,597	228,626
Tax losses	123,948	67,560	123,948	67,560
	<u>261,700</u>	<u>313,443</u>	<u>255,545</u>	<u>296,186</u>

	<i>Group</i> 2013 £	2012 £	<i>Company</i> 2013 £	2012 £
Deferred tax not recognised				
Trading losses	-	-	-	-
Capital losses	617,560	710,036	617,560	710,036
	<u>617,560</u>	<u>710,036</u>	<u>617,560</u>	<u>710,036</u>

The above losses are not recognised as there is insufficient certainty regarding their recovery

Due to legislative changes, the corporation tax rate will reduce by 2% from 23% to 21% on 1 April 2014 and by a further 1% from April 2015 from 21% to 20%. These changes have been substantively enacted at the balance sheet date and are therefore included in the figures within these financial statements

### 9. Dividends

	<i>Group and Company</i> 2013 £	2012 £
Dividend paid		
Per ordinary share 175 44p (2012 – Nil)	<u>5,000,000</u>	-
Final dividend for 2013 – Nil (2012 – 175 44p) per ordinary share	<u>-</u>	<u>5,000,000</u>

## Notes to the financial statements

at 31 December 2013

### 10. Tangible fixed assets

<i>Group</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Leasehold improvements</i>	<i>Forklifts</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 January 2013	1,018,278	2,545,897	2,165,971	1,030,630	6,760,776
Foreign exchange translation differences	904	10,287	-	1,195	12,386
Additions	49,730	470,598	-	286,157	806,485
Disposals	(6,654)	(405,113)	-	(347,874)	(759,641)
At 31 December 2013	1,062,258	2,621,669	2,165,971	970,108	6,820,006
Accumulated depreciation					
At 1 January 2013	797,848	1,947,190	929,369	960,036	4,634,443
Foreign exchange translation differences	545	10,287	-	1,195	12,027
Charge for the year	71,451	234,976	164,887	73,240	544,554
Disposals	(6,654)	(405,113)	-	(347,874)	(759,641)
At 31 December 2013	863,190	1,787,340	1,094,256	686,597	4,431,383
Net book value					
At 31 December 2013	199,068	834,329	1,071,715	283,511	2,388,623
At 1 January 2013	220,430	598,707	1,236,602	70,594	2,126,333

# Notes to the financial statements

at 31 December 2013

## 10. Tangible fixed assets (continued)

	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Leasehold improvements</i>	<i>Forklifts</i>	<i>Total</i>
	£	£	£	£	£
<i>Company</i>					
<b>Cost</b>					
At 1 January 2013	983,242	2,147,016	2,165,971	984,301	6,280,530
Additions	41,662	470,598	-	286,157	798,417
Disposals	(6,654)	(218,150)	-	(347,874)	(572,678)
At 31 December 2013	1,018,250	2,399,464	2,165,971	922,584	6,506,269
<b>Accumulated depreciation</b>					
At 1 January 2013	772,291	1,548,309	929,369	914,283	4,164,252
Charge for the year	66,878	234,976	164,887	73,240	539,981
Disposals	(6,654)	(218,150)	-	(347,874)	(572,678)
At 31 December 2013	832,515	1,565,135	1,094,256	639,649	4,131,555
<b>Net book value</b>					
At 31 December 2013	185,735	834,329	1,071,715	282,935	2,374,714
<b>At 1 January 2013</b>	<b>210,951</b>	<b>598,707</b>	<b>1,236,602</b>	<b>70,018</b>	<b>2,116,278</b>

## Notes to the financial statements

at 31 December 2013

### 11. Investments

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Shares in subsidiary undertaking	-	-	22,951	22,951
	-	-	22,951	22,951

The subsidiary of the company at 31 December 2013 was as follows

<i>Direct</i>	<i>Proportion of ordinary shares and voting rights</i>	<i>Principal activity</i>	<i>Country of in- corporation and operation</i>
Nippon Express (Ireland) Limited	100%	Freight forwarder	Republic of Ireland

### 12. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	5,694,293	7,097,745	4,846,584	5,822,713
Amounts owed by the ultimate parent undertaking	2,248,527	2,201,099	1,706,603	1,621,731
Amounts owed by the parent undertaking	241,692	197,304	241,692	197,304
Amounts owed by fellow subsidiary undertakings	889,547	654,702	736,367	537,142
Amounts owed by subsidiary	-	-	509,038	507,097
Amounts owed by associate	18,834	11,765	16,273	10,539
Value added tax recoverable	353,200	353,308	295,950	296,228
Deferred tax asset (note 8(c))	261,700	313,443	255,545	296,186
Prepayments and accrued income	1,144,150	1,152,133	954,470	960,179
Corporation tax recoverable	61,112	33,787	33,010	22,637
	10,913,055	12,015,286	9,595,532	10,271,756

## Notes to the financial statements

at 31 December 2013

### 13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade creditors	6,557,836	5,850,684	6,124,043	5,324,988
Amounts owed to the ultimate parent undertaking	794,032	1,625,623	743,278	1,094,871
Amounts owed to parent undertaking	96,177	195,005	91,198	181,380
Amounts owed to fellow subsidiary undertakings	1,365,144	1,524,649	1,004,260	1,238,085
Foreign tax payable	-	-	-	-
Amounts owed to subsidiary	-	-	4,374	39,133
Amounts owed to associate	12,527	19,004	12,527	19,004
Other taxes and social security costs	329,016	347,846	314,954	317,043
Accruals and deferred income	818,510	868,672	770,998	821,597
	<u>9,973,242</u>	<u>10,431,483</u>	<u>9,065,632</u>	<u>9,036,101</u>

### 14. Provisions for liabilities

<i>Group</i>	<i>Other</i>
	<i>£</i>
At 1 January 2013	540,036
Exchange adjustment	431
Additional provision made in the year	174,767
Utilised in the period	(30,000)
Unused amounts reversed during the period	(23,081)
At 31 December 2013	<u>662,153</u>

In the opinion of the director, it would be seriously prejudicial to disclose the nature of the other provisions

<i>Company</i>	<i>Other</i>
	<i>£</i>
At 1 January 2013	507,184
Additional provision made in the year	155,583
Utilised in the period	(30,000)
Unused amounts reversed during the period	(23,081)
At 31 December 2013	<u>609,686</u>

## Notes to the financial statements

at 31 December 2013

### 15. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>2013</i>	<i>No</i>	<i>2012</i>
		<i>£</i>		<i>£</i>
Ordinary shares of £1 each	2,850,000	<u>2,850,000</u>	2,850,000	<u>2,850,000</u>

### 16. Movement on reserves

<i>Group</i>	<i>Foreign exchange translation</i>	<i>Profit and loss account</i>
	<i>£</i>	<i>£</i>
At 1 January 2013	475,215	12,392,627
Loss for the year	-	(77,153)
Other recognised gains and losses	-	(227,180)
Foreign exchange translation differences	66,969	-
Dividend	-	(5,000,000)
At 31 December 2013	<u>542,184</u>	<u>7,088,294</u>
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Profit and loss account excluding pension liability	8,834,694	14,046,587
Amount relating to defined benefit pension liability, net of related deferred tax	<u>(1,746,400)</u>	<u>(1,653,960)</u>
Profit and loss account	<u>7,088,294</u>	<u>12,392,627</u>
<i>Company</i>		<i>Profit and loss account</i>
		<i>£</i>
At 1 January 2013		10,282,366
Profit for the year		(91,138)
Other recognised gains and losses		(227,180)
Dividend		(5,000,000)
At 31 December 2013		<u>4,964,048</u>
	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Profit and loss account excluding pension liability	6,710,448	11,936,326
Amount relating to defined benefit pension liability, net of related deferred tax	<u>(1,746,400)</u>	<u>(1,653,960)</u>
Profit and loss account	<u>4,964,048</u>	<u>10,282,366</u>

### 17. Capital commitments

At 31 December 2013, the company and group had entered into financial or capital commitments of £70,000 (2012 – £249,140)



## Notes to the financial statements

at 31 December 2013

### 18. Pensions

The company currently operates defined benefit and defined contribution pension schemes for all qualifying employees. The defined benefit pension scheme was open to all qualifying permanent full-time and part-time employees of Nippon Express (U K ) Limited up to 31 March 2003, and from that date the defined benefit scheme was closed to new entrants. The defined benefit scheme was closed on 1 October 2009 to future accrual. A new defined contribution benefit scheme has replaced all the defined benefit arrangements for current and future employees.

An actuarial valuation of the defined benefit scheme was carried out as at 30<sup>th</sup> June 2012, and revealed a funding shortfall of £1,161,000.

To eliminate the shortfall the trustee and the Company agreed additional contributions of £182,000 per annum over an eight year period, with the first being paid by 31<sup>st</sup> January 2013 and the last being paid by 31 January 2020.

#### FRS 17 retirement benefits

The figures below have been based on a full actuarial valuation as at 30 June 2012, updated to the current year end by a qualified independent actuary.

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

	2013 % per annum	2012 % per annum	2011 % per annum
Inflation	3.6%	3.10%	3.00%
Salary increases	0.0%	0.00%	0.00%
Rate of discount	4.5%	4.40%	4.60%
Pension in payment increases	2.9%	2.60%	3.00%
Revaluation rate for deferred pensioners	2.9%	2.60%	3.00%

The position of the scheme as calculated under FRS 17 as at 31 December 2013 is as follows:

	2013 £	2012 £	2011 £
Equities	4,753,000	3,388,000	6,918,000
Bonds	2,175,000	3,173,000	1,707,000
Strategic investment allocation fund	3,604,000	3,522,000	-
Cash	142,000	92,000	359,000
Property	503,000	539,000	1,270,000
Total market value of assets	11,177,000	10,714,000	10,254,000
Present value of scheme liabilities	(13,360,000)	(12,862,000)	(12,001,000)
Pension deficit	(2,183,000)	(2,148,000)	(1,747,000)
Related deferred tax asset	436,600	494,040	436,750
Net pension deficit	(1,746,400)	(1,653,960)	(1,310,250)

## Notes to the financial statements

at 31 December 2013

### 18. Pensions (continued)

Reconciliation of opening and closing balances of present value of the scheme liabilities

	2013	2012
	£	£
Scheme liabilities at 1 January	12,862,000	12,001,000
Interest cost	569,000	553,000
Actuarial losses	270,000	665,000
Benefits paid and expense	(341,000)	(357,000)
Scheme liabilities at 31 December	<u>13,360,000</u>	<u>12,862,000</u>

Reconciliation of opening and closing balances of the fair value of the scheme assets

	2013	2012
	£	£
Fair value of scheme assets at 1 January	10,714,000	10,254,000
Expected return on scheme assets	648,000	696,000
Actuarial loss	(26,000)	(416,000)
Contributions by employer	182,000	537,000
Benefits paid and expenses	(341,000)	(357,000)
Fair value of scheme assets at 31 December	<u>11,177,000</u>	<u>10,714,000</u>

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

	2013	2012	2011
Equities	7 0%	7 0%	7 5%
Bonds	4 4%	4 0%	4 5%
Strategic investment allocation fund	7 0%	7 0%	-
Cash	1 0%	1 0%	1 0%
Property	7 0%	7 0%	7 5%

The following amounts have been credited to the profit and loss account

	2013	2012
	£	£
Other finance charges		
Interest on pension scheme liabilities	569,000	553,000
Expected return on pension scheme assets	(648,000)	(696,000)
Net finance credit	(79,000)	(143,000)
Total credit to profit and loss account	<u>(79,000)</u>	<u>(143,000)</u>

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

	2013	2012
	£	£
Actual return less expected return on pension scheme assets	(26,000)	(416,000)
Changes in assumptions underlying the present value of the scheme liabilities	(270,000)	(665,000)
Actuarial loss recognised in STRGL	<u>(296,000)</u>	<u>(1,081,000)</u>

## Notes to the financial statements

at 31 December 2013

### 18. Pensions (continued)

History of experience gains and losses

	2013 £	2012 £	2011 £	2010 £	2009 £
Difference between expected and actual return on assets					
Amount £	(26,000)	(416,000)	(1,110,000)	569,000	857,000
Percentage of scheme assets	(0.2%)	(3.9%)	(10.8%)	5.7%	9.3%
Experience gains and losses arising on scheme liabilities					
Amount £		-	-	-	-
Percentage of present value of scheme liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount £	(270,000)	(665,000)	(1,246,000)	(419,000)	(2,234,000)
Percentage of present value of scheme liabilities	(2.0%)	(5.2%)	(10.4%)	(4.0%)	(22.2%)
Total amount recognised in SIRGL £	(296,000)	(1,081,000)	(2,356,000)	150,000	(1,377,000)
Percentage of present value of scheme liabilities	(2.2%)	(8.4%)	(19.6%)	1.4%	(13.7%)

#### Movement in deficit during the year

	2013 £	2012 £
Deficit in scheme at 1 January	(2,148,000)	(1,747,000)
Movement in the year		
– Net finance credit	79,000	143,000
– Contributions	182,000	537,000
– Actuarial losses	(296,000)	(1,081,000)
Deficit in scheme at 31 December	(2,183,000)	(2,148,000)

The mortality assumptions adopted at 31 December 2013 imply the following life expectancies

Male retiring at age 65 in 2013	23.4
Female retiring at age 65 in 2013	25.9

## Notes to the financial statements

at 31 December 2013

### 19. Other financial commitments

At 31 December 2013 the group and company had annual commitments under non-cancellable operating leases as set out below

<i>Group</i>	<i>2013</i>		<i>2012</i>	
	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>
	£	£	£	£
Operating leases which expire				
Within one year	125,926	60	-	9,985
In two to five years	155,168	4,070	351,209	4,190
Over five years	1,304,314	-	1,372,889	-
	<u>1,585,408</u>	<u>4,130</u>	<u>1,724,098</u>	<u>14,175</u>
<i>Company</i>				
Operating leases which expire				
Within one year	120,967	60	-	9,985
In two to five years	101,825	4,070	293,070	4,190
Over five years	1,304,314	-	1,372,889	-
	<u>1,527,106</u>	<u>4,130</u>	<u>1,665,959</u>	<u>14,175</u>

### 20. Related party transactions

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 Company Limited group companies

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows

			<i>Purchases</i>			
			<i>Income from related party</i>	<i>from related party</i>	<i>Owed from related party</i>	<i>Owed to related party</i>
			£	£	£	£
NESH Nippon Express (Shanghai) Co Ltd	(1)	2013	44,386	57,685	8,965	12,526
NESH Nippon Express (Shanghai) Co Ltd	(1)	2012	61,892	74,003	11,765	19,004
NETH Nippon Express (Thailand) Co	(2)	2013	170,462	375,241	34,869	48,554
NETH Nippon Express (Thailand) Co	(2)	2012	136,345	331,187	13,917	106,299

## Notes to the financial statements

at 31 December 2013

### 20. Related party transactions (continued)

			<i>Income from related party</i>	<i>Purchases from related party</i>	<i>Owed from related party</i>	<i>Owed to related party</i>
			£	£	£	£
NEIN Nippon Express (India) PVT Ltd	(2)	2013	241,758	56,427	23,138	8,366
NEIN Nippon Express (India) PVT Ltd	(2)	2012	153,186	31,816	28,837	13,405
NES Nippon Express Singapore	(2)	2013	80,475	164,752	12,659	22,495
NES Nippon Express Singapore	(2)	2012	134,780	164,836	20,942	21,753
NEVN Nippon Express (Vietnam) Co Ltd	(2)	2013	10,802	23,984	1,284	1,009
NEVN Nippon Express (Vietnam) Co Ltd	(2)	2012	10,268	36,108	2,342	4,333
NECN Nippon Express China	(2)	2013	498,246	1,477,995	94,087	195,099
NECN Nippon Express China	(2)	2012	460,107	1,672,703	54,442	154,849
NEM Nippon Express Malaysia	(2)	2013	123,502	668,007	8,533	33,622
NEM Nippon Express Malaysia	(2)	2012	178,872	1,276,629	18,853	141,507
NEPH Nippon Express Philippines	(2)	2013	78,387	81,744	14,447	23,700
NEPH Nippon Express Philippines	(2)	2012	114,074	184,927	17,413	10,281

## Notes to the financial statements

at 31 December 2013

### 20. Related party transactions (continued)

			<i>Income from related party</i>	<i>Purchases from related party</i>	<i>Owed from related party</i>	<i>Owed to related party</i>
			£	£	£	£
NSLD Nittsu Sinotrans Log Dalian	(2)	2013	13,645	3,212	471	1,237
NSLD Nittsu Sinotrans Log Dalian	(2)	2012	1,552	45,924	366	998
NEID PT Nippon Express Indonesia	(2)	2013	20,442	20,467	6,188	113
NEID PT Nippon Express Indonesia	(2)	2012	41,408	71,335	12,955	4,089
NLIL PT Nittsu Lemo Indonesia	(2)	2013	419	16,189	–	3,293
NLIL PT Nittsu Lemo Indonesia	(2)	2012	256	110,748	–	446

(1) Associate of the ultimate parent undertaking Nippon Express Co Limited This is included in amounts owed by associate (note 12) and amounts owed to associate (note 13)

(2) Subsidiary of the ultimate parent undertaking Nippon Express Co Limited and not 100% owned by Nippon Express Co Limited This is included in amounts owed by fellow subsidiary undertakings (note 12) and amounts owed to fellow subsidiary undertakings (note 13)

### 21. Post balance sheet events

After the balance sheet date, the company obtained a community transit guarantee with HM Revenue and Customs of £5,300,000 The guarantee is in respect of VAT and duty arising on movement of goods within the EU by Nippon Express (UK) Ltd

### 22. Ultimate parent undertaking and controlling party

The company's immediate holding company is Nippon Express (Europe) GmbH

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