

NPIL Hold Co Limited

Directors' report and financial statements

31 March 2004

Registered number 4659491



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COMPANIES HOUSE 30/09/04

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Directors' report

for the year ended 31 March 2004

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activity of NPIL Hold Co Limited ("the Company") is to act as the financial holding company of various Group undertakings whose principal activities include ports and engineering and financial services.

Business review

The Group made an after tax loss of £2,476,000 (2003:£10,000) for the year ended 31 March 2004.

The Company holds the entire share capital of Nikko Principal Investments Limited ("NPIL"), a principal finance company that commits capital provided by Nikko Cordial Corporation ("Nikko") to purchase, or finance the acquisition of, assets that generate cash flow. NPIL considers those investments in which it is able to control the day to day operations of the investee company to be subsidiaries and therefore the consolidated accounts of the Company include the results of a number of companies in the ports and financial sectors. During the year NPIL consolidated its position with respect to the investments it held during the year, concentrating on maximising the potential value on exit, of each investment. NPIL initiated a formal sale process by year end, to dispose of the Ports and associated businesses held by an investee company, Prestige Acquisitions Limited.

Future development of the business

It is expected that the future growth of the Group is to be derived from the growth of the investments held by Nikko Principal Investments Limited.

Dividend

The directors do not recommend the payment of a dividend.

Political and charitable donations

The Group made no political contributions during the year. Donations to UK charities amounted to £6,372 (2003: £7,508).

Employees

The Group has a policy of ensuring employees are kept informed of its activities and events which have an impact on the Group. The Group operates a system of staff appraisal which encourages discussion between staff and management and a discretionary performance related bonus scheme, which will be dependent on both the Group's and individual employees' performance during a financial year.

It is the policy of the Group to consider fully, fairly and equally applications for staff vacancies from disabled (as defined in the Disability Discrimination Act 1995) and able-bodied persons alike, having regard to individuals' aptitudes and abilities.

If a member of staff should become disabled whilst employed by the Group, every reasonable effort would be made, consistent with the requirements of the Group's business, to ensure that his or her employment with the Group could continue.

Directors' report

for the year ended 31 March 2004 (continued)

Employees (continued)

The Group is also committed to ensuring that all disabled persons employed by it receive appropriate training, career development and promotion to enable them to compete fairly with other employees of the Group.

Liability insurance

The Group may take out liability insurance in respect of its directors and officers. In the normal course of business, members of staff may be requested to become directors, shadow directors or officers of companies in which the Group has invested. In return, certain companies in the Group may provide an indemnity to these individuals for any liabilities they may incur while properly acting in that capacity.

Directors and directors' interests

The directors who held office during the year were as follows:

Resident:

Brian Berry
Philip Busfield
Etsuo Matsumoto

Non-Resident:

Hirofumi Hirano

According to the Register of Directors' Interests maintained under Section 325 of the Companies Act 1985, none of the Directors had, at the end of the financial year, any interest pursuant to Section 324 of the Companies Act 1985 in the Company.

In addition, according to the Register maintained under Section 325 of the Companies Act 1985, none of the Directors or any member of their respective immediate family (as defined in paragraph 2(B) (3) of Schedule VII of the Companies Act 1985) was granted or exercised during the financial year any right to subscribe for shares in or debentures of the Company.

Company Secretary

The Secretary to the Company during the year was:

John Beck

Directors' report

for the year ended 31 March 2004 (continued)

Creditors payment policy

It is the Group's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

Auditors

Pursuant to Section 386 of the Companies Act 1985, the Company has passed an elective resolution to dispense with the obligation to appoint auditors annually. The auditors, PricewaterhouseCoopers LLP, will therefore continue in office.

By order of the board



John Beck
Secretary to NPIL Hold Co Limited
100 Pall Mall
London
SW1Y 5NN
25 June 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of NPIL Hold Co Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheets, cash flow statement and the related notes, which have been prepared under the historical cost convention, and the accounting policies set out on pages 12 to 15.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2004 and of the Group's loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 June 2004

Consolidated Profit and loss account

for the year ended 31 March 2004

	Note	2004 £000	Two months ended 31 March 2003 £000
Turnover	1&2	420,300	-
Cost of sales		(295,908)	-
		<hr/>	<hr/>
Gross profit		124,392	-
Net operating expenses		(94,469)	(10)
		<hr/>	<hr/>
Group operating profit/(loss)		29,923	(10)
Income from fixed asset investments		328	
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before interest and taxation		30,251	(10)
Net interest payable	3	(28,333)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	4	1,918	(10)
Taxation on profit/(loss) on ordinary activities	8	(4,394)	-
		<hr/>	<hr/>
Retained loss for the year/period	27	(2,476)	(10)
		<hr/>	<hr/>

The turnover and profit/(loss) on ordinary activities are derived from ordinary continuing activities.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained loss for the year/period stated above and their historical cost equivalents.

The notes on pages 12 to 41 form part of these financial statements

Auditors' report – page 6

Statement of group total recognised gains and losses
for the year ended 31 March 2004

			Two months ended 31 March
	Note	2004 £000	2003 £000
Loss for the year		(2,476)	-
Exchange adjustment offset in reserves	27	(700)	-
Total recognised losses for the year/period		(3,176)	-

NPIL Hold Co Limited
Consolidated Balance sheet
at 31 March 2004

	Note	2004 £000	2003 £000
Fixed assets			
Intangible assets	10	280,541	285,290
Tangible assets	11	249,091	254,856
Investments	12	14,719	13,455
Investments in joint ventures:	30		
Share of gross assets		-	15
Share of gross liabilities		-	(15)
		<u>544,351</u>	<u>553,601</u>
Current assets			
Stock	13	31,800	20,900
Debtors: amounts falling due after one year	14	61,078	76,905
Mortgage loans			
Unsecuritised mortgage loans due after one year	14	375,232	375,580
Mortgage loans subject to securitisation	15	483,639	513,943
Less: non-recourse finance	15	(464,245)	(497,790)
		<u>394,626</u>	<u>391,733</u>
Debtors: amounts falling due within one year	16	119,035	164,831
Investments	18	557	1,262
Cash at bank and in hand	19	93,919	89,780
		<u>701,015</u>	<u>745,411</u>
Creditors: amounts falling due within one year	20	(795,521)	(847,484)
Net current liabilities		(94,506)	(102,073)
Total assets less current liabilities		449,845	451,528
Creditors: amounts falling due after more than one year	21	(315,873)	(311,160)
Provisions for liabilities and charges	23	(20,136)	(23,978)
Deferred government grants	24	(18,700)	(19,400)
Net assets		95,136	96,990
Capital and reserves – Equity			
Called up share capital	25	10	10
Share premium account	26	98,312	96,990
Profit and loss account	27	(3,186)	(10)
Total shareholders' funds	28	95,136	96,990

The financial statements on pages 7 to 41 were approved by the board of directors on 25 June 2004 and signed on its behalf by:


B Berry

Director


P Busfield

Director

The notes on pages 12 to 41 form part of these financial statements. Auditors report – page 6

NPIL Hold Co Limited
Balance sheet
at 31 March 2004

	Note	2004 £000	2003 £000
Fixed assets			
Investments	12	98,322	97,000
Current assets			
Debtors	14	10	-
Current liabilities			
Creditors: amounts falling due within one year	20	(37)	(10)
Net current liabilities		(27)	(10)
Net assets		98,295	96,990
Capital and reserves – Equity			
Called up share capital	25	10	10
Share premium account	26	98,312	96,990
Profit and loss account	27	(27)	(10)
Total shareholders' funds	28	98,295	96,990

The financial statements on pages 7 to 41 were approved by the board of directors on 25 June 2004 and signed on its behalf by:


B Berry
Director


P Busfield
Director

The notes on pages 12 to 41 form part of these financial statements

Auditors' report – page 6

NPIL Hold Co Limited

Consolidated cash flow statement for the year ended 31 March 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Net cash inflow from operating activities	29		87,906		-
Income received from fixed asset investments			386		-
Returns on investments and servicing of finance					
Interest received		4,119		-	
Interest paid		(18,761)		-	
Net cash outflow from returns on investments and servicing of finance			(14,642)		-
Taxation			(6,490)		-
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(15,651)		-	
Disposal of tangible fixed assets		10,837		-	
Net cash outflow from capital expenditure and financial investments			(4,814)		-
Acquisitions and disposals					
Purchase of subsidiary undertakings	30	(3,144)		-	
Cash acquired with subsidiary undertakings	30	961		82,571	
Disposal of subsidiary undertakings	30	1,500		-	
Cash disposed of with subsidiary undertakings	30	(1,600)		-	
Net cash inflow before management of liquid resources and financing			60,063		82,571
Management of liquid resources					
Increase in short term deposits with banks			(4,935)		-
Financing					
Decrease in borrowing		(55,249)		-	
Net cash outflow from financing			(55,249)		-
Increase/(decrease) in cash in the year			(121)		82,571
Reconciliation to net debt					
Net Debt at 1 April	31		(957,823)		-
(Decrease)/increase in net cash			(121)		82,571
Borrowings net of short term deposits acquired with subsidiaries			-		(1,040,394)
Movements on deposits			4,935		-
Movements on borrowings			55,603		-
Other non-cash charges			(354)		-
Net debt at 31 March	31		(897,760)		(957,823)

Notes to the financial statements

for the year ended 31 March 2004

1 Accounting policies

Basis of accounting

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, applicable Accounting Standards issued by the Accounting Standards Board and the Statement of Recommended Accounting Practice (Accounting issues in the asset finance and leasing industry).

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2004. In the prior year, the results of its subsidiaries were included in the consolidated profit and loss account from 31 March 2003, the date of acquisition, and consequently, no profit or loss from subsidiaries was regarded as arising post acquisition. Intra-group transactions are eliminated fully on consolidation.

Turnover

Financial services:

Turnover represents interest, commissions and fees receivable excluding value added tax. Similarly, any interest, commissions and fees paid in respect of trading activities are shown within cost of sales.

Charges made for instalment finance are brought into revenue using the sum of digits method.

Ports and Engineering services:

This is based on sales of goods and services at invoiced value less local sales taxes and excludes transactions between subsidiary undertakings.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

Tangible fixed assets

Fixed assets are depreciated at rates considered reasonable to reduce the book value of the asset to its estimated future residual value over the expected useful life of the asset. Depreciation is provided at the following rates:

Office equipment	-	20% per annum on original cost
Furniture and fittings	-	20%- 33% per annum on original cost
Office improvements	-	20% per annum on original cost
Computer software	-	33% per annum on original cost
Leasehold improvements	-	20% per annum on original cost

Notes to the financial statements

for the year ended 31 March 2004 (continued)

1 Accounting policies (continued)

No depreciation is charged on Construction in Progress.

No depreciation is provided for the leasehold property on the basis that the residual value is not expected to be materially different from the carrying value. An impairment review is carried out at the end of each year and expenses are charged to the profit and loss account when incurred.

Financial instruments

Derivative instruments utilised by the Group are interest rate swaps and forward foreign currency exchange contracts. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

Derivatives used to hedge interest rate risk are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction that is being hedged. Hedge transactions, which cease to be effective or are terminated early, are measured at fair value and any profit and loss arising is recognised in full.

Mortgage loans

Mortgage loans are stated at cost less provision for any impairment. Specific provisions are raised when the Group considers that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. Typically, this is done on an individual basis, however since the portfolio of loans is comprised of homogeneous assets, statistical techniques are used to raise specific provisions on a portfolio basis. The Group does not maintain general provisions for its loan assets. The specific provisions that are made during the year, less amounts released and recoveries of bad debts previously written off, are charged against operating profit and are deducted from mortgage loan assets.

If the collection of interest is doubtful, interest is suspended although interest continues to be charged to the customers' accounts. If the collection of interest is considered remote, interest is written off. Interest suspended is released to the profit and loss account on a cash receipt basis.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling monthly and recorded at the rate of exchange ruling at the date of translation.

Assets and liabilities at the balance sheet date denominated in foreign currencies have been translated into sterling at the market rates of exchange at that date and the exchange differences are recognised in the profit and loss account.

Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Financing fees

Debt is stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the financing cost in respect of the accounting year and reduced by the payments made during the year.

Notes to the financial statements

for the year ended 31 March 2004 (continued)

1 Accounting policies (continued)

Goodwill and intangible assets

Goodwill arising on consolidation as a result of the acquisition of a subsidiary undertaking is capitalised as an intangible fixed asset. The excess of the fair value of the cost of investments in subsidiaries over the fair value of net assets acquired which is not otherwise allocated to individual assets and liabilities is determined to be goodwill and is amortised on a straight line basis over a period not exceeding 20 years.

The unamortised goodwill is subject to impairment review in accordance with FRS 11 "Impairment of fixed assets and goodwill".

Included within goodwill are certain rights with an indefinite life granted under statute to a subsidiary company.

Where goodwill has an indefinite useful life it is carried at fair value and as such is not amortised but is subject to an annual impairment review. This accounting treatment is a departure from the requirements of the Companies Act 1985 which would normally require amortisation and has been adopted as, in the opinion of the directors, it is necessary in order to present a true and fair view of the Group's results.

Fixed asset investments

All investments (including investments in subsidiary companies) that are acquired with the intention of holding them for the long term or to maturity are treated as fixed asset investments, and are valued at cost less provision for permanent diminution in value.

Current asset investments

All other investments are treated as current asset investments and are valued at the lower of cost or net realisable value. The intention of holding each asset is regularly reviewed and if appropriate, the investment classification altered accordingly.

Linked presentation

The Group has securitised certain mortgage loans to companies outside the Group on a non-recourse basis. The book value of these loans are disclosed on the face of the balance sheet, with the non-recourse finance raised deducted from them.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the accounts. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Notes to the financial statements

for the year ended 31 March 2004 (continued)

1 Accounting policies (continued)

Pension costs

The Group operates a variety of schemes. The defined contribution schemes are accounted for by charging contributions payable for the year to the profit and loss account.

For defined benefit schemes, employers' pension costs are calculated to charge the cost of providing pensions on a regular systematic basis over the period of the employees' working lives with the Group on the basis of actuarial valuations of the Group's pension schemes. Actuarial surpluses are credited over the remaining average service life of the relevant employees subject to restricting the net pension credit for the year to zero. The difference between the surplus amortisation and the regular cost is taken to operating profit for the year.

Stocks and work in progress

These are valued on bases which are consistent from one year to another, and which are specifically related to the individual operating activities. In general, stocks of raw materials, components, manufactured goods, purchases for resale and consumable stores are valued at the lower of cost and net realisable value. Work in progress on long-term contracts is valued to include a prudent portion of expected profit where this can be reliably foreseen. Where any contracts are expected to be unprofitable, full provision is made for anticipated losses.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the asset's useful life. Other grants are credited to the profit and loss account when received.

2 Segmental reporting

A geographical analysis is not considered meaningful as all material business is conducted in the United Kingdom.

	2004 £000	2003 £000
Net assets by class		
Ports and engineering services	(56,500)	(50,100)
Financial services	181,526	175,566
	<u>125,026</u>	<u>125,466</u>
Consolidation adjustments	(29,890)	(28,476)
	<u>95,136</u>	<u>96,990</u>
Net assets	<u>95,136</u>	<u>96,990</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

2 Segmental reporting (continued)

Turnover and Profit and Loss by class	Turnover £000	Profit/(loss) before tax after goodwill £000	Profit/(loss) before tax before goodwill £000
Ports and engineering services	312,000	(6,400)	(4,800)
Financial services	111,994	11,067	14,009
	<u>423,994</u>	<u>4,667</u>	<u>9,209</u>
Consolidation adjustment	(3,694)	(2,749)	1,001
	<u>420,300</u>	<u>1,918</u>	<u>10,210</u>

Due to the date of the acquisition of subsidiaries in 2003, the Group did not recognise any post acquisition profits or losses, therefore a segmental analysis of turnover and profit before taxation was not meaningful.

3 Interest and similar items

	2004 £000	2003 £000
Interest payable on bank loans and overdrafts	(4,898)	-
Amortisation of issue costs of bank loan	(1,200)	-
Interest payable on other loans	(24,218)	-
	<u>(30,316)</u>	<u>-</u>
Group interest and similar charges	(1,688)	-
Interest receivable	3,671	-
	<u>(28,333)</u>	<u>-</u>

4 Profit/(loss) on ordinary activities before taxation

	2004 £'000	2003 £000
Profit/(loss) on ordinary activities before tax is stated after charging:		
Staff costs (note 6)	74,882	-
Depreciation of tangible fixed assets		-
- owned assets	10,115	-
- under finance leases	-	-
Amortisation of goodwill	8,292	-
Loss on disposal of fixed assets	1,320	-
Hire of machinery and equipment	2,200	-
Other operating lease rentals	500	-
Group audit fees and expenses of which the parent company was £10,000 (2003:£10,000)	718	10
Non-audit services	320	-

Notes to the financial statements
for the year ended 31 March 2004 (continued)

5 Directors' emoluments

No directors received any emoluments as a result of their position within the Company. Two of the directors of the Company were directors of a subsidiary company for the year ended 31 March 2004 and their emoluments are disclosed in the subsidiary's financial statements. As the Group came into existence on 31 March 2003, no directors' emoluments have been disclosed in the financial statements of the Group for the year ended 31 March 2003.

6 Employee Information

Staff costs for the group during the year were as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Wages and salaries	64,032	-	-	-
Social security costs	6,737	-	-	-
Other pension costs (note 7)	4,113	-	-	-
	<u>74,882</u>	<u>-</u>	<u>-</u>	<u>-</u>

The average monthly number of people employed was as follows:

	Group		Company	
	2004	2003	2004	2003
Ports and engineering services	2,300	-	-	-
Financial services	262	-	-	-
	<u>2,562</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2004 (continued)

7 Pensions

The group has established a number of pension schemes covering many of its employees. The principal funds are the PD Pension Plan, the Nikko Europe Plc Retirement and Death Benefit Plan (Nikko) and the Tees and Hartlepool Port Authority Pension Scheme (THPA). These are funded schemes of the defined benefit type.

The most recent valuation of the Nikko pension fund was carried out by Hazell Carr (TN) LLP as at 31 March 2004 by performing an accurate calculation of the Plan liabilities and comparing them to the Plan assets. Hewitt Bacon and Woodrow Limited and Watson Wyatt Worldwide valued the PD Pension Plan and the THPA scheme at 31 March 2003 and 31 December 2003 respectively using the projected unit method. These valuations have been rolled forward to 31 March 2004.

The principal assumptions made by the actuaries were:

	Assumption 2004 % p.a.	Assumption 2003 % p.a.
Rate of increase in salaries	4.4	4.6
Rate of increase in pension payments (Limited Price Indexation)	2.0 – 3.3	1.8 – 3.0
Rate of increase in pensions deferment	2.9	2.5
Discount rate	5.6	5.5
Inflation	2.9	2.6

The assets and estimated liabilities of the pension schemes are shown below:

	2004 £000	2003 £000
Total fair value of assets	499,193	417,411
Present value of Plans' liabilities	(518,474)	(481,024)
Deficit in Plans	(19,281)	(63,613)
Related deferred tax asset	5,784	19,044
Net pension liability	(13,497)	(44,569)

The following table sets out the expected rates of return in different classes of assets together with the value of assets at the start and end of the accounting year.

	Long term expected rate of return at 31 March 2004	Fair value at 31 March 2004 £000	Long term expected rate of return at 31 March 2003	Fair value at 31 March 2003 £000
Equity	7.5%	373,860	7.5%	294,850
Property	6.6%	20,250	6.6%	19,230
Bonds (gilts)	5.1%	98,209	4.9%	96,230
Other (cash)	4.0%	6,874	4.0%	7,101
Total		499,193		417,411

Notes to the financial statements
for the year ended 31 March 2004 (continued)

7 Pensions (continued)

The change in the financial position of the schemes can be broken down into the following areas:

	2004 £000	2003 £000
(Deficit)/surplus of schemes at beginning of the year	(63,613)	94,723
Current service cost (net of employee contributions)	(2,500)	(5,000)
Other finance income	1,679	13,249
Actuarial gain/(loss) (see below)	45,153	(166,585)
Deficit at the end of the year	<u>(19,281)</u>	<u>(63,613)</u>

Amounts that would have been charged to the profit and loss under FRS17 in respect of defined benefit schemes are as follows:

	2004 £000	2003 £000
Operating profit		
Current service cost	5,200	5,000
Employee contributions	(2,700)	-
Past service costs	-	-
Total operating charge	<u>2,500</u>	<u>5,000</u>

Credit to finance income

	2004 £000	2003 £000
Expected return on pension scheme assets	27,725	38,812
Interest on pension scheme liabilities	(26,046)	(25,563)
Net return	<u>1,679</u>	<u>13,249</u>

The amounts that would have been recognised in the Statement of total recognised gains and losses had FRS17 been applied in full in the year are estimated to be:

	2004 £000	2003 £000
Actual return less expected return on scheme assets	74,587	(150,337)
Experience gains and losses arising on the scheme liabilities	3,161	(2,896)
Changes in assumptions underlying the present value of the scheme liabilities	(32,595)	(13,352)
Actuarial gain/(loss)	<u>45,153</u>	<u>(166,585)</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

7 Pensions (continued)

History of experience gains and losses

	2004 £000	2003 £000
Difference between the actual and expected return on scheme assets:		
Amount (£'000)	74,587	(150,337)
Percentage of scheme assets	14.9%	36.01%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	3,161	(2,896)
Percentage of scheme liabilities	0.6%	0.6%
Total amount to be recognised in Statement of total recognised gains and losses:		
Amount (£'000)	45,153	(166,585)
Percentage of scheme liabilities	9.0%	34.6%

Defined Contribution Schemes

In addition to the above mentioned schemes, the Group operates a number of defined contribution schemes in the UK. The assets and liabilities are not material to the Group accounts and have been excluded from any disclosures. Contributions paid to these schemes totalled £1,413,000 for the year (2003: nil).

8 Tax on profit/(loss) on ordinary activities

	Group 2004 £000	2003 £000
Analysis of charge during the year		
United Kingdom		
Corporation tax at 30%	4,830	-
Foreign tax	-	-
Deferred tax		
Adjustment to deferred tax asset – note 17	206	
Adjustment to deferred tax liability – note 23	(642)	
Tax on profit on ordinary activities	4,394	-

Notes to the financial statements

for the year ended 31 March 2004 (continued)

8 Tax on profit/(loss) on ordinary activities (continued)

The tax for the year is different from the standard rate of corporation tax in the UK (30%) as explained below:

	2004 £000	2003 £000
Profit/(loss) on ordinary activities before tax	1,918	(10)
Profit/(loss) on ordinary activities multiplied by the standard tax rate of corporation tax in the UK	575	(3)
Effects of:		
Group relief surrendered without payment	1,026	3
Adjustment in respect of previous periods	(2,362)	-
Expenses not deductible for tax purposes	(1,080)	-
Depreciation for the period in excess of capital allowances	646	-
Non-taxable income	(1,184)	-
Other timing differences	(59)	-
Losses not available for utilisation or group relief	7,268	-
Current tax on profit on ordinary activities	4,830	-

9 Loss of the holding company

Of the retained loss for the year, a retained loss of £17,417(2003:£10,000) is dealt with in the accounts of NPIL Hold Co Limited. The directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

10 Intangible fixed assets

	2004 £000
Group Cost	
At 1 April	285,290
Additions	4,943
Exchange adjustments	(1,400)
At 31 March	288,833
Aggregate amortisation	
At 1 April	-
Charge for the year	8,292
At 31 March	8,292
Net book amount at 31 March 2004	280,541
Net book amount at 31 March 2003	285,290

Notes to the financial statements
for the year ended 31 March 2004 (continued)

11 Tangible fixed assets

Group

	Freehold land & buildings	Leasehold land & buildings	Plant & machinery	Fixtures & fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2003	198,800	20,133	20,500	8,823	6,600	254,856
Exchange adjustments	-	(100)	(200)	-	-	(300)
Additions at cost	1,300	133	3,900	3,618	6,700	15,651
Sale of subsidiary	-	(308)	(100)	(1,400)	-	(1,808)
Disposals	(12,800)	-	(2,600)	(662)	-	(16,062)
Reallocations	1,300	-	9,300	2,200	(12,800)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	188,600	19,858	30,800	12,579	500	252,337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation						
At 1 April 2003	-	-	-	-	-	-
Exchange adjustments	-	-	(100)	-	-	(100)
Charge for the year	2,400	600	4,400	2,315	400	10,115
Disposals	(2,400)	(8)	(4,300)	(61)	-	(6,769)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	592	-	2,254	400	3,246
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 March 2004	188,600	19,266	30,800	10,325	100	249,091
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	198,800	20,133	20,500	8,823	6,600	254,856
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Company holds no tangible fixed assets.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

12 Fixed Asset Investments

	2004 £000	2003 £000
Group		
Cost:		
At 1 April	13,455	-
Additions	1,323	13,455
Disposals	(59)	-
	<hr/>	<hr/>
At 31 March	14,719	13,455
	<hr/>	<hr/>

All the investments held at 31 March 2004 are unlisted with a directors' valuation of £14,719,214 (2003:£13,454,711.)

	2004 £000	2003 £000
Company		
Cost:		
At 1 April	97,000	-
Additions – shares in Group undertakings	1,322	97,000
	<hr/>	<hr/>
At 31 March	98,322	97,000
	<hr/>	<hr/>

The Company paid an additional amount of £1,322,000 as consideration for the shares acquired in Nikko Principal Investments Limited during 2003.

The Group's principal operating subsidiaries are:

Subsidiary	Activity	Ownership %	Country of Incorporation
Nikko Principal Investments Limited	Investment company	100	UK
Pall Mall Healthcare Limited	Holding company	100	UK
Prestige Acquisitions Limited	Port ownership	100	UK
PD Portco Limited	Port ownership	100	UK
Tees and Hartlepool Port Authority Limited	Port ownership	100	UK
Teesside Holdings Limited	Port ownership	100	UK
Ports Holding Limited	Port ownership	100	UK
Humberside Sea & Land Services Limited	Port services	100	UK
Powell Duffryn Shipping Limited	Port services	100	UK
Powell Duffryn Storage Limited	Port services	100	UK
H & L Garages Limited	Commercial vehicle sales	100	UK
Powell Duffryn Rail Limited	Engineering	100	UK
Powell Duffryn Limited	Holding company	100	UK
Majestic Acquisitions Limited	Holding company	100	UK
Mortgage Holdings Limited	Holding company	100	UK
Mortgages plc	Managing company	100	UK
British Credit Trust Limited	Finance provider	100	UK

Investments in Group undertakings are stated at cost. All the investments held at 31 March 2004 are unlisted with a directors' valuation of £98,321,606 (2003:£97,000,000).

Notes to the financial statements
for the year ended 31 March 2004 (continued)

13 Stock

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials	6,200	7,500	-	-
Work in progress	16,400	8,400	-	-
Finished products	9,600	8,400	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	32,200	24,300	-	-
Less: payments on account	(400)	(3,400)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	31,800	20,900	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The replacement cost of stocks and work-in-progress does not differ materially from the actual cost shown above.

14 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due after one year				
Trade debtors	52,071	58,017	-	-
Amounts due from group companies	-	7,300	-	-
Deferred costs	4,228	5,551	-	-
Other debtors	200	100	10	-
Prepayments and accrued income	4,579	5,937	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	61,078	76,905	10	-
	<hr/>	<hr/>	<hr/>	<hr/>
Unsecuritised mortgage loans	376,572	376,586	-	-
Provision for loan losses	(1,340)	(1,006)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	375,232	375,580	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Loan Losses

£000

At 1 April 2003	1,006
Charged to the profit and loss account	334
	<hr/>
At 31 March 2004	1,340
	<hr/>

Notes to the financial statements

for the year ended 31 March 2004 (continued)

15 Mortgage loans subject to securitisation

Certain mortgage loans are subject to a non-recourse finance arrangement. These loans have been purchased by special purpose securitisation companies Mortgages No 1 plc, Mortgages No 2 plc, Mortgages No 3 plc and Mortgages No 4 plc, which are ultimately beneficially owned by charitable trusts, and have been funded primarily through the issue of mortgage backed floating rate notes ("FRNs").

The balances of assets securitised and non-returnable finance at securitisation date were as follows:

Securitisation company	Date of securitisation	Gross assets securitised £	Net assets securitised at 31 March 2004 £	Non-returnable finance £	Non-returnable Finance at 31 March 2004 £
Mortgages No 1 plc	16 May 2000	176,662,311	18,535,669	170,454,352	18,352,997
Mortgages No 2 plc	15 November 2000	219,473,510	29,056,812	213,343,010	29,326,632
Mortgages No 3 plc	27 November 2001	251,907,610		241,817,610	
Mortgages No 3 plc	25 January 2002	69,482,104		69,482,104	
Total No 3		321,389,714	100,992,284	311,299,714	96,678,953
Mortgages No 4 plc	28 November 2002	235,027,943		225,807,943	
Mortgages No 4 plc	28 February 2003	15,175,480		15,175,480	
Total No 4		250,203,423	136,640,738	240,983,423	128,825,388
Mortgages No 5 plc	8 July 2003	211,985,711		203,985,711	
Mortgages No 5 plc	31 July 2003	37,926,992		37,926,992	
Total No 5		249,912,703	198,413,698	241,912,703	191,060,749
Total		1,217,641,661	483,639,201	1,177,993,202	464,244,719

Holders of the FRNs are only entitled to obtain payment of principal and interest to the extent that the resources of the securitisation companies are sufficient to support such payments, and the holders of the FRNs have no recourse in any other form. The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments.

The Group receives payment of deferred consideration for the sale of the loans. As part of the deferred consideration, it is entitled to receive any residual amounts less an amount equal to 0.01 per cent of the principal amount outstanding of the FRNs on each interest determination date. It is also entitled to receive mortgage redemption penalty interest on the securitised loans.

It has no right or obligation to repurchase the benefit of any securitised loan except if certain representations and warranties given by the Group at the time of transfer are breached.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

15 Mortgage loans subject to securitisation (continued)

The Group does not own directly or indirectly any of the share capital of the securitisation companies listed above or their parents. The securitisation companies are ultimately beneficially owned by charitable trusts.

These companies are:

Company	Principal activity
Mortgages No 1 plc	Special purpose securitisation company
Mortgages No 2 plc	Special purpose securitisation company
Mortgages No 3 plc	Special purpose securitisation company
Mortgages No 4 plc	Special purpose securitisation company
Mortgages No 1 (Holdings) Limited	Parent company
Mortgages No 2 (Holdings) Limited	Parent company
Mortgages No 3 (Holdings) Limited	Parent company
Mortgages No 4 (Holdings) Limited	Parent company
Mortgages No 5 (Holdings) Limited	Parent company

Summarised profit and loss accounts for the year and balance sheets as at 31 March 2004 and 2003 for the above companies, which have been consolidated as quasi-subsiidiaries using linked presentation, are set out below:

	2004	2003
Profit and loss account	£000	£000
Interest receivable	44,647	38,050
Interest payable	(41,876)	(34,320)
Net interest income	2,771	3,730
Other income	2,928	2,667
Total operating income	5,699	6,397
Operating expenses	(5,780)	(6,345)
Operating (loss)/profit on ordinary activities before taxation	(81)	52
Taxation	10	(15)
(Loss)/Profit on ordinary activities after taxation	(71)	37

Notes to the financial statements
for the year ended 31 March 2004 (continued)

15 Mortgage loans subject to securitisation (continued)

Balance sheet	2004 £000	2003 £000
Current assets		
Debtors: amounts falling due within one year	10,363	8,060
Cash at bank and in hand	53,930	52,415
	<u>64,293</u>	<u>60,475</u>
Creditors: amounts falling due within one year	(8,890)	(7,418)
	<u>55,403</u>	<u>53,057</u>
Net current assets	55,403	53,057
Debtors: amounts falling due after more than one year	478,148	508,242
	<u>533,551</u>	<u>561,299</u>
Total assets less current liabilities	533,551	561,299
Creditors: amounts falling due after more than one year	(533,460)	(561,148)
	<u>91</u>	<u>151</u>
Net assets	91	151
Capital and reserves		
Called up share capital	63	52
Profit and loss account	28	99
	<u>91</u>	<u>151</u>
Shareholders' funds	91	151

16 Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year				
Trade debtors	75,834	83,017	-	-
Amounts due from group companies	5,800	203	-	-
Amounts due from joint ventures	100	100	-	-
Deferred costs	2,335	3,447	-	-
Other debtors	23,640	64,814	-	-
Prepayments and accrued income	11,200	12,918	-	-
Deferred tax asset (Note 17)	126	332	-	-
	<u>119,035</u>	<u>164,831</u>	<u>-</u>	<u>-</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

17 Deferred Tax Asset

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Deferred Tax comprises:				
Accelerated capital allowance	56	(21)	-	-
Short-term timing differences	70	353	-	-
	<u>126</u>	<u>332</u>	<u>-</u>	<u>-</u>
At 1 April	332	-	-	-
Credit for the year – note 8	(206)		-	-
	<u>126</u>	<u>332</u>	<u>-</u>	<u>-</u>
At 31 March	<u>126</u>	<u>332</u>	<u>-</u>	<u>-</u>

18 Current asset investments

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Valuation:				
At 1 April	1,262	-	-	-
Additions	-	1,262	-	-
Revaluations	(705)	-	-	-
	<u>557</u>	<u>1,262</u>	<u>-</u>	<u>-</u>
At 31 March	<u>557</u>	<u>1,262</u>	<u>-</u>	<u>-</u>

All the investments held at 31 March 2004 are unlisted with a directors' valuation of £556,645 (2003:£1,261,695).

Notes to the financial statements
for the year ended 31 March 2004 (continued)

19 Cash at bank and in hand

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Cash held for the benefit of employees	25	21	-	-
Cash at bank and in hand	93,894	89,759	-	-
	<u>93,919</u>	<u>89,780</u>	<u>-</u>	<u>-</u>

Cash held for the benefit of employees by the Nikko Principal Investments Limited Employee Benefit Trust is invested in a trust administered by The Royal Bank of Canada Trustees Limited. At 31 March 2004, the trust funds totalled £5,428 (2003: £21,839).

Cash held for the benefit of employees by the NPIL Employee Benefit Trust is administered by Ogier Employee Benefit Trustees Limited ("the Trustees"). At 31 March 2004, the trust funds totalled £19,322 (2003: £119,826)

20 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and other borrowings	475,586	498,430	-	-
Amounts due to group undertaking	200,267	238,013	-	-
Trade creditors	40,540	50,371	-	-
Amounts due to joint ventures	200	200	-	-
Corporation tax	5,258	6,737	-	-
Other tax and social security payable	5,364	5,206	-	-
Other creditors	28,186	11,881	-	-
Accruals and deferred income	40,120	36,646	37	10
	<u>795,521</u>	<u>847,484</u>	<u>37</u>	<u>10</u>

Bank loans do not include any amounts advanced from other Group undertakings. The Group's ultimate parent company had provided security for these bank loans. Amounts due to Group undertakings are unsecured and repayable on demand.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

20 Creditors: amounts falling due within one year (continued)

	2004 £000	2003 £000
Analysis of debt		
Secured loans and overdrafts	456,575	468,042
Bank loans and overdrafts	9,811	10,486
Non-bank debentures and secured loans	9,200	19,902
	<u>475,586</u>	<u>498,430</u>

Included in the amounts due within one year are the following:

(a) £377m of loans from banks (included in the accounts net of fees of £435,647) used to fund the provision of mortgages, which provide security to the lender. These loans attract interest at a rate of between 0.9% - 1.0% above LIBOR.

(b) £78m of the loans from banks is secured by a fixed and floating charge over the assets of British Credit Trust Management Limited and by a charge over the shares of British Credit Trust Management Limited held by British Credit Trust Holdings Limited.

Analysis of amount due to Group undertakings: 31 March 2004
Group & Company

Maturity date			Interest rate on loan advanced	Loan balance £000
30 April 2004	JPY	38,360,000,000	0.80250%	200,000
Accrued Interest				267
Amount due 31 March 2004				<u>200,267</u>

Analysis of amount due to Group undertakings: 31 March 2003
Group & Company

Maturity date			Interest rate on loan advanced	Loan balance £000
30 April 2003	JPY	44,886,800,000	0.80188%	238,000
Accrued Interest				13
Amount due 31 March 2003				<u>238,013</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

21 Creditors: amounts falling due after one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and other borrowings	315,873	311,160	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	315,873	311,160	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Analysis of debt:				
Secured loans	35,143	-	-	-
Non-bank debentures and secured loans	280,730	285,816	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	315,873	311,160	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

(a) £13.5m of the loans from banks is charged on the assets of Mortgages No 4 (DACs) Limited and on the rights, title, interest in and to the coupon securities issued by Mortgages No 4 Plc. This loan attracts interest of 1.3% above LIBOR and matures on 29 November 2005.

(b) £12.2m of the loans from banks is charged on the assets of Mortgages No 5 (DACs) Limited and on the rights, title, interest in and to the coupon securities issued by Mortgages No 5 Plc. This loan attracts interest of 1.3% above LIBOR and matures on 8 July 2006.

(c) £9.4m of bank loans attract interest at an interest rate of LIBOR plus 1.5%

(d) £280.5m of the secured loans from non-banks (included in the accounts net of fees of £6,885,000) attracts fixed interest, which is currently between 6.4% and 11.6% after the effect of interest rate swaps. The loan is secured by a fixed and floating charge over the assets of the Prestige Acquisitions Group and other Group undertakings and is repayable in the year to 31 March 2031.

(e) £0.2m of the secured loans from non-bank relates to a property mortgage facility for the purchase of leasehold property. The loan is secured over the leasehold property and is repayable on 14 May 2023.

Notes to the financial statements

for the year ended 31 March 2004 (continued)

22 Derivatives and financial instruments

The main financial risks faced by the Group relate to interest rates. It has raised borrowings at both fixed and floating rates, and has used interest rate swaps to generate the desired interest rate profile and to manage its exposure to interest rate fluctuations. Its market risk comprises mainly interest rate exposures, but the directors consider that a rise or fall in interest rates would not have a material effect on its financial position. The Group's treasury activities principally relate to the investment of any surplus funds it may have, based on its forecast cash requirements and in accordance with its treasury policies. These policies prohibit the use of derivatives for speculation.

As permitted by FRS 13, the Group has excluded short-term debtors and creditors from its required disclosures.

Currency and interest rate profile of financial liabilities

A financial liability is defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another financial entity.

The interest rate risk profile of the Group's financial liabilities at 31 March 2004, after taking account of the currency swaps used to manage the interest and currency profile was:

		Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid
	Total £000	£000	£000	£000
31 March 2004				
Other loans	991,726	710,226	292,500	(11,000)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2003				
Other loans	809,590	519,422	297,500	(7,332)
	<hr/>	<hr/>	<hr/>	<hr/>

All of the Group's financial liabilities were denominated in sterling. The weighted average period for which the fixed rate financial liabilities' rates are fixed is twenty years. The weighted average interest rate on the financial liabilities is 5.56%. (2003:6.37%)

Notes to the financial statements
for the year ended 31 March 2004 (continued)

22 Derivatives and financial instruments (continued)

Currency and interest rate risk profile of financial assets

A financial asset is defined as any asset that is to be received in cash, including cash at bank and short term deposits.

Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Sterling	498,657	472,620	25,480	557
US Dollars	1,600	1,600	-	-
Euro	1,600	1,600	-	-
Other currencies	1,900	1,900	-	-
At 31 March 2004	503,757	477,720	25,480	557
Sterling	495,430	464,313	29,855	1,262
US Dollars	4,700	4,700	-	-
Euro	(5,600)	(5,600)	-	-
Other currencies	1,700	1,700	-	-
At 31 March 2003	496,230	465,113	29,855	1,262

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities at 31 March 2004 was as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Maturity of debt:				
Due for repayment				
In one year or less or on demand	675,853	498,430	-	-
In more than one year, but not more than two years	21,089	20,244	-	-
In more than two years, but not more than five years	40,888	22,200	-	-
In more than five years	253,896	268,716	-	-
	991,726	809,590	-	-

Notes to the financial statements
for the year ended 31 March 2004 (continued)

22 Derivatives and financial instruments (continued)

Borrowing facilities

The group has the following undrawn committed borrowing facilities available at 31 March 2004 in respect of which all conditions precedent had been met at that date:

	Floating rate £000	Fixed rate £000	2004 Total £000	2003 Total £000
Expiring within 1 year	462,912	-	462,912	177,184
Expiring between 1 and 2 years	-	-	-	-
Expiring in more than 2 years	-	-	-	-
	<u>462,912</u>	<u>-</u>	<u>462,912</u>	<u>177,184</u>

Fair values of financial assets and financial liabilities

There are no significant differences between the carrying amounts and fair values of the Group's financial assets and liabilities at 31 March 2004. A comparison of the book values and fair values of the Group's borrowings and financial assets is set out below:

	Book value 2004 £000	Fair value 2004 £000	Book value 2003 £000	Fair value 2003 £000
Primary financial instruments held or issued to finance the Group's operations				
Short term borrowing	(675,853)	(678,655)	(517,090)	(517,090)
Long term borrowing	(315,873)	(299,573)	(292,500)	(292,500)
Investments	15,237	17,918	14,717	15,422
Cash and overdrafts	93,919	93,919	89,780	89,780
Mortgage loans	394,626	394,626	391,733	391,733
	<u>(487,944)</u>	<u>(471,765)</u>	<u>(313,360)</u>	<u>(312,655)</u>

	Book value 2004 £000	Fair value 2004 £000	Book value 2003 £000	Fair value 2003 £000
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	-	(1,800)	-	(4,583)
Forward foreign currency contracts	-	2,082	-	-
	<u>-</u>	<u>282</u>	<u>-</u>	<u>(4,583)</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

22 Derivatives and financial instruments (continued)

Currency exposures

To mitigate the effect of currency exposures on the Group's foreign borrowings, the Group swaps its foreign borrowings into sterling using currency swaps.

The Group's only significant currency of operations is sterling. An analysis of the Group's foreign monetary assets is disclosed in the table headed Currency and interest rate risk profile of financial assets. The Group has no significant foreign monetary liabilities after taking into account the effect of currency swaps.

Gains and losses on hedges

The Company uses interest rate swaps to manage its interest rate and currency profiles. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains £000	Losses £000	Total net £000
At 1 April 2003	-	(4,583)	(4,583)
Arising in previous year included in 2004 income	-	183	183
Gains/(losses) arising in the year not yet recognised	2,082	2,600	4,682
Net gains /(losses) on hedges at 31 March 2004	2,082	(1,800)	282
of which:			
Gains expected to be included in 2005 income	2,082	-	2,082
Losses expected to be included in 2006 income or later	-	(1,800)	(1,800)
	2,082	(1,800)	282

Notes to the financial statements
for the year ended 31 March 2004 (continued)

23 Provisions for liabilities and charges

Group

	Deferred Tax £000	Claims and warranties £000	Other £000	Total £000
At 1 April 2003	9,378	9,800	4,800	23,978
Charged to the profit and loss account	(642)	(600)	(300)	(1,542)
Utilised in year	-	(1,300)	(1,000)	(2,300)
At 31 March 2004	8,736	7,900	3,500	20,136

	2004 £000	2003 £000
Provision for deferred tax comprises:		
Accelerated capital allowance	10,100	10,000
Other timing differences	(1,364)	(622)
	8,736	9,378
At 1 April	9,378	-
Charged to profit and loss (note 8)	(642)	9,378
At 31 March	8,736	9,378

Claims and Warranties

Claims and warranties include provision for onerous leases.

Company

The Company has no provision for liabilities and charges.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

24 Government Grants

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
At 1 March	19,400	-	-	-
Acquired during the year	-	19,400	-	-
Charged to the profit and loss account	(700)	-	-	-
	<u>18,700</u>	<u>19,400</u>	<u>-</u>	<u>-</u>

25 Called up share capital

	Group & Company 2004 £000	Group & Company 2003 £000
<i>Authorised</i>		
1,000,000 ordinary shares of 1p each	10	10
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of 1p each	10	10

2 shares were allotted at par value on incorporation of the Company. A further 999,998 shares were allotted on 31 March 2003 for a total consideration of £97,000,000 to finance the acquisition of Nikko Principal Investments Limited.

26 Share Premium

	Group & Company 2004 £000	Group & Company 2003 £000
At 1 April	96,990	-
Premium on shares issued during the year	-	96,990
Additional premium arising on shares issued during the prior year	1,322	-
At 31 March	<u>98,312</u>	<u>96,990</u>

An additional amount of £1,322,000 was due by the Company as consideration for the shares acquired in Nikko Principal Investments Limited during 2003.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

27 Profit and loss account reserve

	Group 2004 £000	Company 2004 £000	Group & Company 2003 £000
At 1 April	(10)	(10)	-
Exchange adjustments	(700)	-	-
Retained loss for the year/period	(2,476)	(17)	(10)
	<hr/>	<hr/>	<hr/>
At 31 March	(3,186)	(27)	(10)
	<hr/>	<hr/>	<hr/>

28 Reconciliation of movements in shareholders' funds

	Group 2004 £000	Company 2004 £000	Group & Company 2003 £000
At 1 April	96,990	96,990	-
Loss for the year/period	(2,476)	(17)	(10)
Exchange adjustments	(700)	-	-
Net proceeds of issue of ordinary share capital	-	-	97,000
Additional consideration received on shares issued in 2003 (note 26)	1,322	1,322	-
	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 March	95,136	98,295	96,990
	<hr/>	<hr/>	<hr/>

29 Cash flow from operating activities

	Group 2004 £000	Group 2003 £000
Operating profit/(loss)	29,923	(10)
Depreciation charge	10,115	-
Profit on disposal of subsidiary	(1,000)	-
Goodwill Amortisation	8,292	-
Investment revaluations	(1,874)	-
Amortisation of government grants	(700)	-
Movement in provisions	(2,865)	-
Net movement in exchange differences	900	-
Increase in stocks	(10,900)	-
Decrease in debtors	54,928	-
Increase in creditors	1,087	10
	<hr/>	<hr/>
Net cash inflow from continuing operations	87,906	-
	<hr/>	<hr/>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

30 Acquisitions and disposals

Acquisition

On 28 August 2003 the Company paid an additional amount of £1,321,606 in respect of the acquisition of the entire share capital of Nikko Principal Investments Limited, being an adjustment to the price on finalisation of completion accounts.

On 31 January 2004 Mortgage Holdings Limited acquired Genesis Home Loans plc. No fair value adjustments were made to the book value of assets acquired.

	2004 £000
Book value of net assets acquired (includes £961,000 cash)	655
Goodwill	2,489
Consideration satisfied by cash	<u>3,144</u>

Disposal

The Group sold its 50% share in Teesside Steel Distribution Limited, to the other joint venture party on 1 April 2003 for its book value of £2.

On 31 July 2003 Powell Duffryn Shipping Limited sold the assets and business of Cory Brothers Shipping Agency.

	2004 £000
Book value of net assets disposed of (includes £1,600,000 cash)	500
Profit on disposal	1,000
Consideration satisfied by cash	<u>1,500</u>

Notes to the financial statements
for the year ended 31 March 2004 (continued)

31 Reconciliation of movement in net debt

	1 April 2003 £000	Cash flow £000	Acquisition (excluding cash and overdrafts) £000	Other non-cash changes £000	Year ended 31 March 2004 £000
Cash in hand and at bank	89,780	(796)	-	-	88,984
Overdrafts	(7,209)	675	-	(3,277)	(9,811)
Debt due after 1 year	(311,160)	(3,399)	-	(1,314)	(315,873)
Debt due within 1 year	(729,234)	59,002	-	4,237	(665,995)
Liquid resources	-	4,900	35	-	4,935
	(957,823)	60,382	35	(354)	(897,760)

Non-cash charges comprise amortisation of issue costs relating to debt issues and transfers between categories of debt. Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception.

32 Major non-cash transactions

An additional amount of £1,322,000 was due by the Company as consideration for the shares acquired in Nikko Principal Investments Limited during 2003. This was settled by an adjustment to the share premium issued to the company from which Nikko Principal Investments Limited was acquired.

33 Capital and other commitments

Contracts placed for future capital expenditure not provided in the financial statements at 31 March 2004 amounts to £700,000 (2003: £3,700,000).

At 31 March 2004 the Group had no committed undrawn facilities (2003:Nil).

34 Contingent liabilities

On 2 June 2004 a subsidiary of the Company gave a guarantee to the Trustees of a pension scheme of an investee company which allows the Trustees to call upon the subsidiary for a contribution to the scheme of up to a maximum amount of £50million in the event that certain triggers are met and the scheme is in deficit.

35 Subsidiary Undertakings

The principal operating subsidiaries are stated in Note 12.

Notes to the financial statements
for the year ended 31 March 2004 (continued)

36 Related party transactions

As at 31 March, the amounts due by related parties were as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Nikko Europe Limited (in liquidation)	-	114	-	-
NPI Ventures Limited	-	7	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	121	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

As at 31 March, the amounts due to related parties were as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Nikko Cordial Treasury Co. Limited	200,267	238,013	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	200,267	238,013	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

37 Ultimate parent undertaking

Nikko Securities Global Holdings Limited has beneficial ownership of the majority of the ordinary shares of NPIL Hold Co Limited, however the minority shareholder has certain rights reserved to it, which means that the directors consider neither shareholder has control of this Company.

The directors consider the ultimate parent undertaking to be Nikko Cordial Corporation, a company incorporated in Japan. The results of the Company are included in the consolidated financial statements of Nikko Cordial Corporation under the equity accounting method.

Copies of the financial statements for Nikko Cordial Corporation are available on request from Nikko Cordial Corporation 6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103-8225, Japan.