

NPIL Hold Co Limited

Directors' report and financial statements

31 March 2005

Registered number 4659491



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Directors' report

for the year ended 31 March 2005

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

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 profit of £11,949,000 (2004: loss £2,476,000) for the year ended 31 March 2005.

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, financial, and hotel, catering and retail sectors.

During the year NPIL completed several successful exits, including two IPO's in July 2004. PD Ports Group Limited, the UK ports and logistics group, was sold for £172.5m to PD Ports plc, a newly formed vehicle funded via a placing to institutional investor clients, with NPIL retaining a 29% stake which it subsequently sold in August 2005. The company also placed 100% of Hamworthy plc, raising £40.3 million.

Additionally, NPIL sold its shareholding in specialist non-conforming mortgage lender, Majestic Acquisitions Limited (Mortgages plc) and all its subsidiaries, to Merrill Lynch & Co in October 2004.

NPIL, via its subsidiary, Pall Mall Life Limited, acquired a 10% stake in Resolution Life Group ("RLG"), a newly formed company that agreed to acquire the life insurance business of Royal Sun Alliance ("RSA") for £850 million in October 2004. The principal businesses of R&SA Life are two with profits companies (Royal & Sun Alliance Life and Pensions Limited and Sun Alliance London Assurance Company Limited) and two non-profit/unit-linked companies (Phoenix Assurance plc and Royal & Sun Alliance Linked Insurances Limited). Combined, these companies manage over £24 billion of assets and 2.4 million policies.

In January 2005, NPIL acquired the entire share capital of NPI Ventures Limited (NPIV), from a Group company, Nikko Securities Global Holdings Limited. As a result, NPIV's investment in RoadChef Limited has been presented in these annual financial statements from the date of acquisition of NPIV.

In January 2005, NPIL agreed to make a further investment in RLG as part of an equity offering to finance the £205 million acquisition of the UK operations of Swiss Life Group.

NPIL acquired a four-star hotel chain, Menzies Hotels Group Limited (MHGL) during December 2004 in a transaction that values the business at £120 million, with the intention to build on the successful growth of the business and to use Menzies as a platform for further consolidation in the UK hotel market.

In February 2005, NPIL raised an additional £100 million of capital via a fresh issue of shares to its parent company, NPIL Hold Co Limited. The funds were partially used to acquire and fund NPI Ventures Limited.

Following the financial year, in May 2005, NPIL made its first significant investment into Europe as a consortium member of the European Directories SA bid for the Yellow Brick Road Group, investing €83 million.

On 9 June 2005, Britannic Group plc announced a proposed merger of its business with Resolution Life Group, of which Pall Mall Life Limited held 9.7% of the share capital. The merger involved a share for share exchange, with Britannic Group plc issuing up to £164.2 million new ordinary shares to Resolution ordinary shareholders. The proposed merger has subsequently been approved, and Pall Mall Life Limited has sold its shares in the merged company.

Directors' report

for the year ended 31 March 2005 (continued)

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 NPIL.

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 made to UK charities during the year totalled £8,000 (2004: £6,000).

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.

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 (resigned 5 January 2005)

Directors' report

for the year ended 31 March 2005 (continued)

Directors and directors' interests (continued)

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

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

27 January 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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 in the statement of accounting policies.

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 2005 and of the Group's profit 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

17 January 2006

Consolidated Profit and loss account

for the year ended 31 March 2005

	Note	2005 £000	2004 £000
Turnover (including share of joint venture)			
Continuing operations		93,104	420,300
Discontinued operations		131,119	-
	1&2	224,223	420,300
Less: share of turnover of joint venture (continuing)		(10,284)	-
Turnover	3	213,939	420,300
Cost of sales	3	(142,866)	(295,908)
Gross profit		71,073	124,392
Net operating expenses	3	(75,925)	(94,469)
Group operating (loss)/profit		(18,902)	29,923
Continuing operations		14,050	-
Discontinued operations	3	(4,852)	29,923
Exceptional item			
Profit on sale of operations (discontinued)	4	27,930	-
Group operating profit after exceptional items		23,078	29,923
Share of operating profit of joint venture		241	-
Income from fixed asset investments		397	328
Profit on ordinary activities before interest and taxation		23,716	30,251
Net interest payable			
- Group	5	(11,979)	(28,333)
- Joint venture	5	(1,764)	-
		(13,743)	(28,333)
Profit on ordinary activities before taxation	2&6	9,973	1,918
Taxation on profit on ordinary activities	10	1,976	(4,394)
Retained profit / (loss) for the year	29	11,949	(2,476)

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

The notes on pages 13 to 45 form part of these financial statements

Auditors' report – page 6

Statement of group total recognised gains and losses
for the year ended 31 March 2005

	Note	2005 £000	2004 £000
Profit / (loss) for the year			
- Group		13,472	(2,476)
- Joint venture		(1,523)	-
		<hr/>	<hr/>
Exchange adjustment offset in reserves	29	11,949 113	(2,476) (700)
		<hr/>	<hr/>
Total recognised gains / (losses) for the year		12,062	(3,176)
		<hr/> <hr/>	<hr/> <hr/>

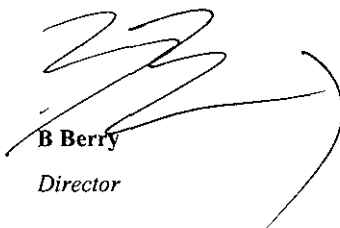
NPIL Hold Co Limited
Consolidated Balance sheet
at 31 March 2005


	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	12	15,556	280,541
Tangible assets	13	126,860	249,091
Investments	14	17,549	14,719
		<u>159,965</u>	<u>544,351</u>
Current assets			
Stock	15	5,471	31,800
Debtors: amounts falling due after one year	16	119,760	61,078
Mortgage loans			
Unsecuritised mortgage loans due after one year	16	-	375,232
Mortgage loans subject to securitisation	17	-	483,639
Less: non-recourse finance	17	-	(464,245)
		-	394,626
Debtors: amounts falling due within one year	18	95,840	119,035
Investments	20	122,672	557
Investments in joint ventures:			
Share of gross assets	32	183,032	-
Share of gross liabilities	32	(172,436)	-
		10,596	-
Cash at bank and in hand	21	53,930	93,919
		<u>408,269</u>	<u>701,015</u>
Creditors: amounts falling due within one year	22	(248,721)	(795,521)
Net current assets / (liabilities)		<u>159,548</u>	<u>(94,506)</u>
Total assets less current liabilities		319,513	449,845
Creditors: amounts falling due after more than one year	23	(99,761)	(315,873)
Provisions for liabilities and charges	25	(12,318)	(20,136)
Deferred government grants	26	-	(18,700)
Net assets		<u><u>207,434</u></u>	<u><u>95,136</u></u>

NPIL Hold Co Limited
Consolidated Balance sheet (continued)
at 31 March 2005

		2005	2004
		£000	£000
Capital and reserves – Equity			
Called up share capital	27	100,010	10
Share premium account	28	98,312	98,312
Profit and loss account	29	8,876	(3,186)
Total shareholders' funds	30	207,198	95,136
Equity minority interests	31	236	-
Capital employed		<u>207,434</u>	<u>95,136</u>

The financial statements on pages 7 to 45 were approved by the board of directors on 27 January 2006 and signed on its behalf by:


B Berry
Director

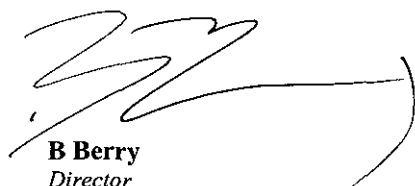

P Busfield
Director

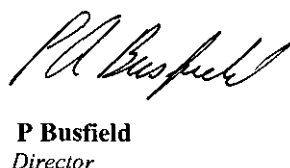
The notes on pages 13 to 45 form part of these financial statements. Auditors report – page 6

NPIL Hold Co Limited
Balance sheet
at 31 March 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	14	198,322	98,322
Current assets			
Debtors	18	16	10
Current liabilities			
Creditors: amounts falling due within one year	22	(154)	(37)
Net current liabilities		(138)	(27)
Net assets		<u>198,184</u>	<u>98,295</u>
Capital and reserves – Equity			
Called up share capital	27	100,010	10
Share premium account	28	98,312	98,312
Profit and loss account	29	(138)	(27)
Total shareholders' funds	30	<u>198,184</u>	<u>98,295</u>

The financial statements on pages 7 to 45 were approved by the board of directors on 27 January 2006 and signed on its behalf by:


B Berry
Director


P Busfield
Director

The notes on pages 13 to 45 form part of these financial statements

Auditors' report – page 6

Consolidated cash flow statement for the year ended 31 March 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Net cash (outflow)/inflow from operating activities	32		(303,839)		87,906
Income received from fixed asset investments			397		386
Returns on investments and servicing of finance					
Interest received		4,253		4,119	
Interest paid		(15,640)		(18,761)	
Net cash outflow from returns on investments and servicing of finance			(11,387)		(14,642)
Taxation			(1,640)		(6,490)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(105,713)		(15,651)	
Disposal of tangible fixed assets		3,409		10,837	
Net cash outflow from capital expenditure and financial investments			(102,304)		(4,814)
Acquisitions and disposals					
Purchase of subsidiary undertakings	33	(80)		(3,144)	
Cash acquired with subsidiary undertakings	33	4,594		961	
Disposal of subsidiary undertakings	33	264,056		1,500	
Cash disposed of with subsidiary undertakings	33	(39,140)		(1,600)	
			229,430		(2,283)
Net cash (outflow)/inflow before management of liquid resources and financing			(189,343)		60,063
Management of liquid resources					
Increase in short term deposits with banks			-		(4,935)
Financing					
Decrease in borrowing		(59,078)		(55,249)	
Issued share capital	27	100,000		-	
Net cash outflow from financing			40,922		(55,249)
Decrease in cash in the year			(148,421)		(121)
Reconciliation to net debt					
Net debt at 1 April	34		(897,760)		(957,823)
Decrease in net cash			(148,421)		(121)
Borrowings net of short term deposits acquired with subsidiaries			(170,064)		-
Borrowings disposed with subsidiaries			948,464		-
Movements on deposits			-		4,935
Movements on borrowings			59,078		55,603
Other non-cash charges			-		(354)
Net debt at 31 March	34		(208,703)		(897,760)

Notes to the financial statements

for the year ended 31 March 2005

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 2005. Intra-group transactions are eliminated fully on consolidation.

The gross equity accounting method is used to consolidate investments in joint ventures.

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.

Hotel, catering and retail services:

Turnover is defined as the amounts derived from the provision of goods and services falling within the Group's ordinary activity in the area of owning and operating hotels and motorway service stations.

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.

Discontinued operations

Following the exit (sale) of Majestic Acquisitions Ltd and PD Ports Group Plc, in accordance with FRS3 the group results arising from the related subsidiaries are included within discontinued operations in the profit and loss account.

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	-	10%- 33% per annum on original cost
Office improvements	-	20% per annum on original cost

Notes to the financial statements

for the year ended 31 March 2005 (continued)

1 Accounting policies (continued)

Computer software	-	33% per annum on original cost
Leasehold improvements	-	20% per annum on original cost
Plant and machinery	-	6.66% - 20% per annum on original cost

No depreciation is charged on Construction in Progress.

No depreciation is provided for land or the freehold and long-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.

Short leasehold land and buildings are depreciated over the unexpired term of the lease, where less than 50 years.

In respect of the hotels, expenditure on repairs and renewals is charged to the profit and loss account at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in good repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset being replaced is written off to the profit and loss account when the refurbishment takes place.

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.

Notes to the financial statements

for the year ended 31 March 2005 (continued)

1 Accounting policies (continued)

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.

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".

In 2004, included within goodwill were 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

In 2004, the Group had 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.

Notes to the financial statements

for the year ended 31 March 2005 (continued)

1 Accounting policies (continued)

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.

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.

Notes to the financial statements

for the year ended 31 March 2005 (continued)

2 Segmental reporting

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

	2005	2004
Net assets by class	£000	£000
Ports and engineering services	18,470	155,918
Financial services	152,413	(60,782)
Hotel, catering and retail : Group	25,955	-
	<u>196,838</u>	<u>95,136</u>
Hotel, catering and retail : Joint venture	10,596	-
Net assets	<u>207,434</u>	<u>95,136</u>

Turnover and Profit and Loss by class	2005	2004	2005	2004	2005	2004
	Turnover	Turnover	Profit/(loss)	Profit/(loss)	Profit/(loss)	Profit/(loss)
	£000	£000	before tax	before tax	before tax	before tax
			after goodwill	after goodwill	after goodwill	after goodwill
			£000	£000	£000	£000
Ports and engineering services	130,215	312,000	9,119	(6,400)	9,516	(4,800)
Financial services	76,172	108,300	(24,273)	8,318	(22,025)	15,010
Hotel, catering & retail - Group	7,552	-	(1,280)	-	(1,280)	-
	<u>213,939</u>	<u>420,300</u>	<u>(16,434)</u>	<u>1,918</u>	<u>(13,789)</u>	<u>10,210</u>
Hotel, catering & retail : Joint Venture	10,284	-	(1,523)	-	(1,523)	-
Exceptional item	-	-	27,930	-	27,930	-
	<u>224,223</u>	<u>420,300</u>	<u>9,973</u>	<u>1,918</u>	<u>12,618</u>	<u>10,210</u>

The exceptional item relates to profit on the sale of operations as disclosed in note 33. The profit is stated after a write-off of unamortised goodwill of £53,916,000.

3 Cost of sales, gross profit, net operating expenses and goodwill

	2005	2005	2005	2004
	Continuing	Discontinued	Total	Total
	£000	£000	£000	£000
Turnover	82,820	131,119	213,939	420,300
Cost of sales	(50,545)	(92,321)	(142,866)	(295,908)
Gross profit	<u>32,275</u>	<u>38,798</u>	<u>71,073</u>	<u>124,392</u>
Net operating expenses (excluding goodwill)	(50,292)	(22,988)	(73,280)	(86,177)
Goodwill	(885)	(1,760)	(2,645)	(8,292)
Operating profit	<u>(18,902)</u>	<u>14,050</u>	<u>(4,852)</u>	<u>29,923</u>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

4 Exceptional item

	2005 £000	2004 £000
Profit on sale of operations	27,930	-

During the year, as detailed in note 33, a profit was recognised on the sale of Majestic Acquisitions Ltd and on the sale of PD Ports plc. There is no related tax charge included in the taxation charge within the profit and loss account because of losses available from Group relief.

5 Interest and similar items

	2005 £000	2004 £000
Interest payable on bank loans and overdrafts	(6,910)	(4,898)
Amortisation of issue costs of bank loan	(736)	(1,200)
Interest payable on other loans	(7,088)	(24,218)
Interest payable to parent company	(1,497)	(1,688)
Group interest and similar charges	(16,231)	(32,004)
Share of joint venture interest payable	(1,764)	-
Total interest and similar charges payable	(17,995)	(32,004)
Group interest receivable	4,252	3,671
Net interest payable and similar items	(13,743)	(28,333)

6 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities before tax is stated after charging:		
Staff costs (note 8)	50,452	74,882
Depreciation of tangible fixed assets – owned assets	4,912	10,115
Amortisation of goodwill	2,645	8,292
Loss on disposal of fixed assets	-	1,320
Hire of machinery and equipment	289	2,200
Other operating lease rentals	122	500
Audit services provided by firms other than Group auditor	175	269
Non-audit services provided by firms other than Group auditor	-	220

Notes to the financial statements
for the year ended 31 March 2005 (continued)

6 Profit on ordinary activities before taxation (continued)

Services provided by the Group's auditor and network firms

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	2005	2004
	£000	£000
Group audit fees and expenses of which the parent company's was £10,000 (2004: £10,000)	315	449
Tax services	144	79
Other services	43	21

7 Directors' emoluments

No directors received any emoluments as a result of the services provided to the Company. Three of the directors of the Company were directors of a subsidiary company (Nikko Principal Investments Limited) for the years ended 31 March 2005 and 31 March 2004 and of these, two received emoluments which are disclosed in that subsidiary's financial statements.

8 Employee Information

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Wages and salaries	44,182	64,032	-	-
Social security costs	3,961	6,737	-	-
Other pension costs (note 9)	2,309	4,113	-	-
	<hr/> 50,452 <hr/>	<hr/> 74,882 <hr/>	<hr/> - <hr/>	<hr/> - <hr/>

The average monthly number of people employed was as follows:

	Group		Company	
	2005	2004	2005	2004
Ports and engineering services	946	2,300	-	-
Financial services	266	262	-	-
Hotel and catering	1,142	-	-	-
	<hr/> 2,354 <hr/>	<hr/> 2,562 <hr/>	<hr/> - <hr/>	<hr/> - <hr/>

Notes to the financial statements

for the year ended 31 March 2005 (continued)

9 Pensions

The group has established a number of pension schemes covering many of its employees. The principal funds are the PD Pension Plan and the Nikko Europe Plc Retirement and Death Benefit Plan (Nikko). In 2004, the Tees and Hartlepool Port Authority Pension Scheme (THPA) scheme with a surplus of £9.1m was also consolidated into these figures but the Group sold the PD Ports group along with its related pension scheme on 12 July 2004. These are funded schemes of the defined benefit type.

The most recent valuation of the Nikko pension fund was carried out by First Actuarial plc as at 31 March 2005 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 and 31 March 2005.

The principal assumptions made by the actuaries were:

	Assumption 2005 % p.a.	Assumption 2004 % p.a.
Rate of increase in salaries	4.4	4.4
Rate of increase in pension payments (Limited Price Indexation)	2.0 – 3.0	2.0 – 3.3
Discount rate	5.4	5.6
Inflation	2.9	2.9

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

	2005 £000	2004 £000
Total fair value of assets	441,349	499,193
Present value of Plans' liabilities	(473,710)	(518,474)
Deficit in Plans	(32,361)	(19,281)
Related deferred tax asset	8,900	5,784
Net pension liability	(23,461)	(13,497)

Notes to the financial statements
for the year ended 31 March 2005 (continued)

9 Pensions (continued)

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 2005	Fair value at 31 March 2005 £000	Long term expected rate of return at 31 March 2004	Fair value at 31 March 2004 £000
Equity	7.75%	317,600	7.5%	373,860
Property	6.75%	15,400	6.6%	20,250
Bonds (gilts)	4.75%	99,949	5.1%	98,209
Other	4.9%	8,400	4.0%	6,874
Total		441,349		499,193

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

	2005 £000	2004 £000
Deficit of schemes at beginning of the year	(19,281)	(63,613)
Surplus of THPA scheme disposed	(9,100)	-
Current service cost (net of employee contributions)	(890)	(2,500)
Other finance income	3,444	1,679
Actuarial (loss)/gain (see below)	(6,534)	45,153
Deficit at the end of the year	(32,361)	(19,281)

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

	2005 £000	2004 £000
Operating profit		
Current service cost	(2,290)	(5,200)
Employee contributions	2,100	2,700
Past service costs	(700)	-
Total operating charge	(890)	(2,500)

Notes to the financial statements
for the year ended 31 March 2005 (continued)

9 Pensions (continued)

Credit to finance income

	2005	2004
	£000	£000
Expected return on pension scheme assets	28,011	27,725
Interest on pension scheme liabilities	(24,567)	(26,046)
	<hr/>	<hr/>
Net return	3,444	1,679
	<hr/>	<hr/>

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:

	2005	2004
	£000	£000
Actual return less expected return on scheme assets	14,716	74,587
Experience gains and losses arising on the scheme liabilities	(3,537)	3,161
Changes in assumptions underlying the present value of the scheme liabilities	(17,713)	(32,595)
	<hr/>	<hr/>
Actuarial (loss)/gain	(6,534)	45,153
	<hr/>	<hr/>

History of experience gains and losses

	2005	2004
	£000	£000
Difference between the actual and expected return on scheme assets:		
Amount (£'000)	14,716	74,587
Percentage of scheme assets	3.3%	14.9%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(3,537)	3,161
Percentage of scheme liabilities	(0.8%)	0.6%
Total amount to be recognised in Statement of total recognised gains and losses:		
Amount (£'000)	(6,534)	45,153
Percentage of scheme liabilities	(1.5%)	9.0%

Notes to the financial statements

for the year ended 31 March 2005 (continued)

9 Pensions (continued)

Defined Contribution Schemes

In addition to the above 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 £620,000 for the year (2004: £1,413,000).

10 Tax on profit on ordinary activities

	Group	
Analysis of (credit)/charge during the year	2005 £000	2004 £000
United Kingdom		
Corporation tax at 30%	(529)	7,192
Adjustment in respect of prior period	(660)	(2,362)
Foreign tax	1,226	-
	<hr/>	<hr/>
Current Tax	37	4,830
Deferred tax		
Origination and reversal of timing differences:		
- Arising on deferred tax asset – note 19	(2,611)	206
- Arising on deferred tax liability – note 25	598	(642)
	<hr/>	<hr/>
Tax (credit)/charge on profit on ordinary activities	(1,976)	4,394
	<hr/>	<hr/>

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	9,973	1,918
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard tax rate of corporation tax in the UK	2,992	575
Effects of:		
Group relief surrendered without payment	-	1,026
Adjustment in respect of previous periods	(660)	(2,362)
Expenses not deductible for tax purposes	1,763	(1,080)
Adjustment in respect of foreign taxes	303	-
Profit on sale of current asset investments	(14,017)	-
Depreciation for the period in excess of capital allowances	253	646
Non-taxable income	(613)	(1,184)
Other timing differences	2,844	(59)
Deferred tax asset not recognised on losses	2,580	-
Losses not available for utilisation or group relief	4,592	7,268
	<hr/>	<hr/>
Current tax on profit on ordinary activities	37	4,830
	<hr/>	<hr/>

Notes to the financial statements

for the year ended 31 March 2005 (continued)

11 Profit of the holding company

Of the retained profit for the year, a retained profit of £110,689 (2004: £17,417) 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.

12 Intangible fixed assets

	2005
Group	£000
Cost	
At 1 April 2004	288,833
Negative goodwill from acquisitions	(881)
Disposals	(270,262)
	<hr/>
At 31 March 2005	17,690
	<hr/>
Aggregate amortisation	
At 1 April 2004	8,292
Charge for the year	2,645
Disposals	(8,803)
	<hr/>
At 31 March 2005	2,134
	<hr/>
Net book amount at 31 March 2005	15,556
	<hr/>
Net book amount at 31 March 2004	280,541
	<hr/>

Goodwill which was purchased by NPIL Hold Co Ltd at the date of the acquisition of Nikko Principal Investments Ltd, has been written off against the profit on sale on the disposal of the PD Ports group and Majestic Acquisitions Ltd (see note 33).

Notes to the financial statements
for the year ended 31 March 2005 (continued)

13 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 2004	188,600	19,858	30,800	12,579	500	252,337
Additions at cost	325	191	169	3,126	1	3,812
Adjustments	(1,000)	-	-	11,316	-	10,316
Acquisition or sale with subsidiary	(108,176)	2,854	(23,285)	7,616	(501)	(121,492)
Disposals	-	-	-	(119)	-	(119)
At 31 March 2005	79,749	22,903	7,684	34,518	-	144,854
Accumulated depreciation						
At 1 April 2004	-	592	-	2,254	400	3,246
Charge for the year	648	281	1,677	2,175	131	4,912
Adjustments	-	-	-	11,316	-	11,316
Disposal with subsidiaries	(648)	(182)	-	-	(531)	(1,361)
Disposals	-	-	-	(119)	-	(119)
At 31 March 2005	-	691	1,677	15,626	-	17,994
Net book value						
At 31 March 2005	79,749	22,212	6,007	18,892	-	126,860
At 31 March 2004	188,600	19,266	30,800	10,325	100	249,091

The Company holds no tangible fixed assets.

During the year, following a review of fixtures and fittings in a subsidiary company, an adjustment has been made to recognise assets with an original cost of £11,316,000 and corresponding accumulated depreciation in the amount of £11,316,000 to reflect more accurately the assets held by the Group. The effect on the net book value of tangible fixed assets as a result of this adjustment is nil.

Notes to the financial statements
for the year ended 31 March 2005 (continued)

14 Fixed Asset Investments

	2005	2004
Group	£000	£000
Cost:		
At 1 April	14,719	13,455
Additions with subsidiary company	4,317	1,323
Disposals	(1,446)	(59)
Disposals with subsidiary company	(41)	-
	<hr/>	<hr/>
At 31 March	17,549	14,719
	<hr/>	<hr/>

The investments held at 31 March 2005 comprise listed and unlisted investments. The listed investments with a cost of £2,151,560 (2004: Nil) are listed on the Alternative Investment market and had a market value of £1,903,826 (2004: Nil) at 31 March 2005. The unlisted investments with a cost of £15,397,146 (2004: £14,719,214) are valued by the directors at £18,091,603 (2004: £14,719,214) at 31 March 2005.

	2005	2004
Company	£000	£000
Cost:		
At 1 April	98,322	97,000
Additions – shares in Group undertakings	100,000	1,322
	<hr/>	<hr/>
At 31 March	198,322	98,322
	<hr/>	<hr/>

During the year the Company increased its investment in its subsidiary, Nikko Principal Investments Ltd, by way of subscribing for an additional 100,000,000 ordinary £1 shares at par to provide additional investment capital. In 2004, the Company paid an amount of £1,322,000 as additional 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	Holding company	100	UK
Hamworthy Combustion Engineering Limited	Engineering	100	UK
Powell Duffryn Limited	Holding company	100	UK
British Credit Trust Limited	Finance provider	100	UK
Menzies Hotels Group Limited	Hotel Group	80.4	UK
NPI Ventures Limited	Investment company	100	UK

Investments in Group undertakings are stated at cost. All the investments held at 31 March 2005 are unlisted with a directors' valuation of £198,321,606 (2004: £98,321,606).

Notes to the financial statements
 for the year ended 31 March 2005 (continued)

15 Stock

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Raw materials	2,684	6,200	-	-
Work in progress	2,422	16,400	-	-
Finished products	368	9,600	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,474	32,200	-	-
Less: payments on account	(3)	(400)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,471	31,800	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

16 Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due after one year				
Trade debtors	74,994	52,071	-	-
Amounts due from group companies	39,758	-	-	-
Deferred costs	4,877	4,228	-	-
Other debtors	131	200	-	-
Prepayments and accrued income	-	4,579	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	119,760	61,078	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Unsecuritised mortgage loans	-	376,572	-	-
Provision for loan losses	-	(1,340)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	375,232	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Loan Losses
2005
£000

At 1 April 2004	1,340
Charged to the profit and loss account	693
Disposal with subsidiary company	(2,033)
	<hr/>
At 31 March 2005	-
	<hr/>

Notes to the financial statements

for the year ended 31 March 2005 (continued)

17 Mortgage loans subject to securitisation

Certain mortgage loans, disposed of in 2004, were subject to a non-recourse finance arrangement in the results presented for the year ended 31 March 2004. These loans were purchased by special purpose securitisation companies Mortgages No 1 plc, Mortgages No 2 plc, Mortgages No 3 plc and Mortgages No 4 plc, which were ultimately beneficially owned by charitable trusts, and were 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	Net assets securitised at 31 March 2004 £000	Non-returnable Finance at 31 March 2004 £000
Mortgages No 1 plc	16 May 2000	18,536	18,353
Mortgages No 2 plc	15 November 2000	29,057	29,327
Mortgages No 3 plc	27 November 2001 & 25 January 2002	100,992	96,679
Mortgages No 4 plc	28 November 2002 & 28 February 2003	136,641	128,825
Mortgages No 5 plc	8 July 2003 & 31 July 2003	198,413	191,061
Total		483,639	464,245

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

These companies were:

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

Notes to the financial statements
 for the year ended 31 March 2005 (continued)

17 Mortgage loans subject to securitisation (continued)

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

	2005	2004
	£000	£000
Profit and loss account		
Interest receivable	-	44,647
Interest payable	-	(41,876)
	<hr/>	<hr/>
Net interest income	-	2,771
Other income	-	2,928
	<hr/>	<hr/>
Total operating income	-	5,699
Operating expenses	-	(5,780)
	<hr/>	<hr/>
Operating loss on ordinary activities before taxation	-	(81)
Taxation	-	10
	<hr/>	<hr/>
Loss on ordinary activities after taxation	-	(71)
	<hr/>	<hr/>
 Balance sheet	 2005	 2004
	£000	£000
Current assets		
Debtors: amounts falling due within one year	-	10,363
Cash at bank and in hand	-	53,930
	<hr/>	<hr/>
		64,293
Creditors: amounts falling due within one year	-	(8,890)
	<hr/>	<hr/>
Net current assets	-	55,403
Debtors: amounts falling due after more than one year	-	478,148
	<hr/>	<hr/>
Total assets less current liabilities	-	533,551
Creditors: amounts falling due after more than one year	-	(533,460)
	<hr/>	<hr/>
Net assets	-	91
	<hr/>	<hr/>
Capital and reserves		
Called up share capital	-	63
Profit and loss account	-	28
	<hr/>	<hr/>
Shareholders' funds	-	91
	<hr/>	<hr/>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

18 Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	45,749	75,834	-	-
Amounts due from group companies	80	5,800	-	-
Amounts due from joint ventures	38,398	100	-	-
Deferred costs	2,436	2,335	-	-
Other debtors	4,059	23,640	-	-
Prepayments and accrued income	2,381	11,200	16	10
Deferred tax asset (Note 19)	2,737	126	-	-
	<u>95,840</u>	<u>119,035</u>	<u>16</u>	<u>10</u>

19 Deferred Tax Asset

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Deferred Tax comprises:				
Accelerated capital allowance	104	56	-	-
Short-term timing differences	2,633	70	-	-
	<u>2,737</u>	<u>126</u>	<u>-</u>	<u>-</u>
At 1 April	126	332	-	-
Tax credit / (charge) for the year – note 10	2,611	(206)	-	-
	<u>2,737</u>	<u>126</u>	<u>-</u>	<u>-</u>

20 Current asset investments

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Valuation:				
At 1 April	557	1,262	-	-
Additions	102,701	-	-	-
Acquired with subsidiary company	19,573	-	-	-
Revaluations	(159)	(705)	-	-
	<u>122,672</u>	<u>557</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2005 (continued)

20 Current asset investments (continued)

Current asset investments comprise listed and unlisted investments. The listed investments with a cost of £52,385,000 (2004: Nil) are listed on the London Stock Exchange and had a market value of £56,575,800 (2004: Nil) at 31 March 2005. The unlisted investments, with a cost of £70,287,138 (2004: £556,645) are valued by the directors at £70,287,138 (2004: £556,645) at 31 March 2005.

The investment acquired with the subsidiary of £19,572,673 comprises loan notes issued to a joint venture.

Joint Venture

Company	Country of Incorporation	Details of Shares held	Shares held by group	Shares held by company
MSA Acquisitions Limited	UK	£1 ordinary	0%	0%

MSA Acquisitions Ltd, a company which owns and operates motorway service stations, is included in these accounts as the directors consider that the Group has significant influence over the entity.

21 Cash at bank and in hand

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Cash held for the benefit of employees	23	25	-	-
Cash at bank and in hand	53,907	93,894	-	-
	<u>53,930</u>	<u>93,919</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 2005, the trust funds totalled £17,305 (2004: £5,428).

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 2005, the trust funds totalled £5,650 (2004: £19,322)

Notes to the financial statements
for the year ended 31 March 2005 (continued)

22 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans and other borrowings	101,160	475,586	-	-
Amounts due to group undertakings	67,144	200,267	99	-
Trade creditors	14,576	40,540	-	-
Amounts due to joint ventures	-	200	-	-
Corporation tax	2,518	5,258	-	-
Other tax and social security payable	1,628	5,364	-	-
Other creditors	43,760	28,186	-	-
Accruals and deferred income	17,935	40,120	55	37
	248,721	795,521	154	37

Bank loans do not include any amounts advanced from other Group undertakings. Amounts due to Group undertakings are unsecured and repayable on demand.

	2005	2004
	£000	£000
Analysis of debt		
Secured loans and overdrafts	98,379	456,575
Bank loans and overdrafts	87	9,811
Non-bank debentures and secured loans	2,694	9,200
	101,160	475,586

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

(a) £97m 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.

(b) £1.3m of the loans from banks is secured by legal charges on the hotel properties and interest is charged at 1.32% above LIBOR.

(c) £2.7m of non-bank secured loans relate to loan notes which attract interest of LIBOR less 1% and are secured on cash collateral.

Notes to the financial statements
for the year ended 31 March 2005 (continued)

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

Analysis of amount due to Group undertakings: 31 March 2005

Group

Maturity date			Interest rate on loan advanced	Loan balance £000
10 May 2005	JPY	13,118,600,000	0.80250%	67,000
Accrued expenses				86
Accrued interest				58
Amount due 31 March 2005				67,144

Company

Accrued expenses	99
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Analysis of amount due to Group undertakings: 31 March 2004

Group

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				200,267

23 Creditors: amounts falling due after one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans and other borrowings	94,415	315,873	-	-
Amounts due to group undertakings	5,139	-	-	-
Other creditors	207	-	-	-
	99,761	315,873	-	-

Notes to the financial statements
for the year ended 31 March 2005 (continued)

23 Creditors: amounts falling due after one year (continued)

	Group		Company	
	2005	2004	2005	2004
Analysis of debt:	£000	£000	£000	£000
Secured loans	88,650	35,143	-	-
Non-bank unsecured loans	5,765	-	-	-
Non-bank debentures and secured loans	-	280,730	-	-
	<u>94,415</u>	<u>315,873</u>	<u>-</u>	<u>-</u>

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

- (a) £88.7m of the loans from banks is secured by legal charges on the hotel properties and interest is charged at 1.32% above LIBOR.
(b) The non-bank unsecured loan attracts fixed-rate interest of 20% pa.

24 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 2005, after taking account of the currency swaps used to manage the interest and currency profile was:

	Total	Floating	Fixed	Financial
	£000	rate	rate	liabilities on
		financial	financial	which no
		liabilities	liabilities	interest is
		£000	£000	paid
31 March 2005				£000
Other loans	262,633	189,810	72,823	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 March 2004				
Other loans	991,726	710,226	292,500	(11,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

24 Derivatives and financial instruments (continued)

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 less than 1 year (2004: 20 years). The weighted average interest rate of the floating rate financial liabilities is 6.08% (2004: 5.56%).

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	62,875	21,806	40,671	398
US Dollars	4,716	4,716	-	-
Euro	(183)	(183)	-	-
Other currencies	155	155	-	-
At 31 March 2005	67,563	26,494	40,671	398
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

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities at 31 March 2005 was as follows:

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Maturity of debt:				
Due for repayment				
In one year or less or on demand	168,218	675,853	-	-
In more than one year, but not more than two years	1,800	21,089	-	-
In more than two years, but not more than five years	5,400	40,888	-	-
In more than five years	87,215	253,896	-	-
	262,633	991,726	-	-

Notes to the financial statements
for the year ended 31 March 2005 (continued)

24 Derivatives and financial instruments (continued)

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 March 2005 in respect of which all conditions precedent had been met at that date:

	Floating rate £000	Fixed rate £000	Total 2005 £000	Total 2004 £000
Expiring within 1 year	2,971	-	2,971	462,912
Expiring between 1 and 2 years	-	-	-	-
Expiring in more than 2 years	-	-	-	-
	<u>2,971</u>	<u>-</u>	<u>2,971</u>	<u>462,912</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 2005. A comparison of the book values and fair values of the Group's borrowings and financial assets is set out below:

	Book value 2005 £000	Fair value 2005 £000	Book value 2004 £000	Fair value 2004 £000
Primary financial instruments held or issued to finance the Group's operations				
Short term borrowing	(168,218)	(169,303)	(675,853)	(678,655)
Long term borrowing	(94,415)	(94,415)	(315,873)	(299,573)
Investments	13,633	15,860	15,237	17,918
Cash and overdrafts	53,930	53,930	93,919	93,919
Mortgage loans	-	-	394,626	394,626
	<u>(195,070)</u>	<u>(193,928)</u>	<u>(487,944)</u>	<u>(471,765)</u>

	Book value 2005 £000	Fair value 2005 £000	Book value 2004 £000	Fair value 2004 £000
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	-	-	-	(1,800)
Forward foreign currency contracts	-	1,085	-	2,082
	<u>-</u>	<u>1,085</u>	<u>-</u>	<u>282</u>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

24 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 2004	2,082	(1,800)	282
Arising in previous year included in 2005 income	(2,082)	-	(2,082)
Gains arising in the year not yet recognised	1,085	-	1,085
Losses disposed of with disposal of subsidiary	-	1,800	1,800
	<hr/>	<hr/>	<hr/>
Net gains on hedges at 31 March 2005	1,085	-	1,085
	<hr/>	<hr/>	<hr/>
of which:			
Gains expected to be included in 2006 income	1,085	-	1,085
	<hr/>	<hr/>	<hr/>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

25 Provisions for liabilities and charges

Group

	Deferred Tax £000	Claims and warranties £000	Other £000	Total £000
At 1 April 2004	8,736	7,900	3,500	20,136
Acquired with subsidiary companies	3,970	-	-	3,970
Charged to the profit and loss account	598	(78)	1,847	2,367
Utilised in year	(119)	(373)	(277)	(769)
Disposed with subsidiaries	(8,053)	(1,059)	(4,274)	(13,386)
At 31 March 2005	5,132	6,390	796	12,318

Provision for deferred tax comprises:

	2005 £000	2004 £000
Accelerated capital allowance	6,532	10,100
Other timing differences	(1,400)	(1,364)
	5,132	8,736

Company

The Company has no provision for liabilities and charges.

26 Government Grants

	Group		Company
	2005 £000	2004 £000	2005 £000
At 1 March	18,700	19,400	-
Charged to the profit and loss account	(175)	(700)	-
Disposed with subsidiary company	(18,525)	-	-
	-	18,700	-

Notes to the financial statements
for the year ended 31 March 2005 (continued)

27 Called up share capital

	Group & Company 2005 £000	Group & Company 2004 £000
<i>Authorised</i>		
10,001,000,000 ordinary shares of 1p each	100,010	10
<i>Allotted, called up and fully paid</i>		
10,001,000,000 ordinary shares of 1p each	100,010	10

During the year 10,000,000,000 shares were allotted at par value and fully paid to provide additional capital for the company.

28 Share Premium

	Group & Company 2005 £000	Group & Company 2004 £000
At 1 April	98,312	96,990
Additional premium arising on shares issued during the prior year	-	1,322
At 31 March	98,312	98,312

In 2004, an amount of £1,322,000 was received by the Company as additional consideration for the shares issued in the prior year to finance the acquisition of Nikko Principal Investments Limited during 2003.

29 Profit and loss account reserve

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
At 1 April	(3,186)	(10)	(27)	(10)
Exchange adjustments	113	(700)	-	-
Retained profit/(loss) for the year	11,949	(2,476)	(111)	(17)
At 31 March	8,876	(3,186)	(138)	(27)

Notes to the financial statements
for the year ended 31 March 2005 (continued)

30 Reconciliation of movements in shareholders' funds

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
At 1 April	95,136	96,990	98,295	96,990
Profit/(loss) for the year	11,949	(2,476)	(111)	(17)
Exchange adjustments	113	(700)	-	-
Net proceeds of issue of ordinary share capital	100,000	-	100,000	-
Additional consideration received on shares issued in 2003 (note 28)	-	1,322	-	1,322
Shareholders' funds at 31 March	<u>207,198</u>	<u>95,136</u>	<u>198,184</u>	<u>98,295</u>

31 Equity minority interests

	2005 £000	2004 £000
At 1 April	-	-
Minority interests acquired on purchase of subsidiary	236	-
Shareholders' funds at 31 March	<u>207,198</u>	<u>-</u>

Minority interests acquired on purchase of Menzies Hotel Group (see Note 33).

32 Cash flow from operating activities

	Group 2005 £000	Group 2004 £000
Continuing operations		
Operating profit	(18,902)	29,923
Depreciation charge	2,061	10,115
Profit on disposal of subsidiary	(27,930)	(1,000)
Goodwill amortisation	885	8,292
Investment revaluations	(1,696)	(1,874)
Amortisation of government grants	-	(700)
Movement in provisions	2,361	(2,865)
Net movement in exchange differences	113	900
Decrease/(increase) in stocks	16,106	(10,900)
(Increase)/decrease in debtors	(104,859)	54,928
Increase in creditors	40,466	1,087
Net cash (outflow)/inflow from continuing operations	<u>(91,395)</u>	<u>87,906</u>

Notes to the financial statements
for the year ended 31 March 2005 (continued)

32 Cash flow from operating activities (continued)

Discontinued operations

Operating profit	41,980	-
Depreciation charge	2,851	-
Goodwill amortisation	1,760	-
Amortisation of government grants	(175)	-
Decrease in stocks	10,548	-
Increase in debtors	(253,206)	-
Decrease in creditors	(16,202)	-
	<hr/>	<hr/>
Net cash outflow from discontinued operations	(212,444)	-
	<hr/>	<hr/>
Total net cash (outflow)/inflow	(303,839)	87,906
	<hr/>	<hr/>

33 Acquisitions and disposals

Acquisition of NPI Ventures Limited

On 10 February 2005 Nikko Principal Investments Limited acquired 100% of the share capital of NPI Ventures Limited, an investment company, from another Group company. The fair value of the assets acquired was as below.

	2005
	£000
Fixed asset investments (book value £34,466,000)	35,917
Net current assets (including cash of £5,000)	38,382
Loans	(74,299)
	<hr/>
Net assets acquired	-
	<hr/>

Included within investments is a holding in a Joint Venture which is MSA Acquisitions Ltd see note 20.

The purchase of these assets was satisfied by a cash consideration of £1.

Notes to the financial statements
 for the year ended 31 March 2005 (continued)

33 Acquisitions and disposals (continued)

Acquisition of the Menzies group

On 31 December 2004 Nikko Principal Investments Limited acquired 80.4% of the Menzies group of companies. The fair value of the assets acquired was as below.

	2005 £000
Tangible fixed assets (book value £85,709,000)	124,750
Stocks	325
Debtors	2,213
Creditors	(31,409)
Minority interests	(236)
Taxation	(3,970)
Loans	(95,765)
Finance leases and HP contracts	464
Cash at bank	4,589
Net assets acquired	961
Negative goodwill	(881)
Consideration satisfied by cash	80

From the date of acquisition to 31 March 2005, this acquisition contributed £7,552,000 to turnover, £384,000 to profit before interest and goodwill amortisation and a loss of £1,280,000 to profit before goodwill amortisation, but after interest.

Disposal of Majestic Acquisitions Limited

On 30 September 2004 the Group sold its 100% share in Majestic Acquisitions Limited. The assets and liabilities sold at this date are shown below:

	2005 £000
Tangible fixed assets	2,551
Investments	41
Debtors	684,984
Creditors	(7,842)
Specific provisions	(2,852)
Taxation	(1,112)
Loans	(657,633)
Cash at bank	16,459
Goodwill	24,849
Net assets disposed	59,445
Profit on disposal	8,401
Cash proceeds	67,846

Notes to the financial statements

for the year ended 31 March 2005 (continued)

33 Acquisitions and disposals (continued)

Disposal of PD Ports group and HKSE

During July 2004 the Group sold its 100% share in the PD Ports group and HKSE. The assets and liabilities sold are shown below:

	2005 £000
Tangible fixed assets	242,330
Investments	-
Debtors	74,654
Creditors	(79,560)
Specific provisions	(10,534)
Taxation	(144)
Loans	(290,831)
Deferred government grants	(18,525)
Cash at bank	22,681
Goodwill and Intangible assets	236,610
	<hr/>
Net assets disposed	176,681
Profit on disposal	19,529
	<hr/>
Proceeds	
Cash proceeds	143,825
Shares in new listed company	52,385
	<hr/>
Total proceeds	196,210
	<hr/>

34 Reconciliation of movement in net debt

	1 April 2004 £000	Cash flow £000	Acquisition (excluding cash and overdrafts) £000	Balances disposed of with subsidiaries £000	Year ended 31 March 2005 £000
Cash in hand and at bank	88,984	4,368	4,594	(44,016)	53,930
Overdrafts	(9,811)	(87)	-	9,811	(87)
Debt due after 1 year	(315,873)	-	(94,415)	315,873	(94,415)
Debt due within 1 year	(665,995)	(59,078)	(75,649)	632,591	(168,131)
Liquid resources	4,935	-	-	(4,935)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(897,760)	(54,797)	(165,470)	909,324	(208,703)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception.

Notes to the financial statements

for the year ended 31 March 2005 (continued)

35 Major non-cash transactions

In 2004 an amount of £1,322,000 was due by the Company as additional 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.

36 Capital and other commitments

Contracts placed for future capital expenditure not provided in the financial statements at 31 March 2005 amounts to £3,356,000 (2004: £700,000).

At 31 March 2005 the Group had no committed undrawn facilities (2004: Nil).

37 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 £50 million in the event that certain triggers are met and the scheme is in deficit.

38 Subsidiary Undertakings

The principal operating subsidiaries are stated in Note 14.

39 Related party transactions

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Nikko Global Asset Management Limited	80	-	-	-
Prestige Acquisitions USA	39,691	-	-	-
Hamworthy Combustion Engineering Brazil	67	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	39,838	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

for the year ended 31 March 2005 (continued)

39 Related party transactions (continued)

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Nikko Cordial Treasury Co. Limited	67,058	200,267	-	-
Nikko Securities Global Holdings	86	-	-	-
Hamworthy Peabody Combustion Inc	5,139	-	-	-
Nikko Principal Investments Limited	-	-	99	-
	<hr/>	<hr/>	<hr/>	<hr/>
	67,144	200,267	99	-
	<hr/>	<hr/>	<hr/>	<hr/>

40 Ultimate parent undertaking

The Company's parent company and ultimate controlling party is Nikko Cordial Corporation incorporated in Japan. This represents the smallest and largest group to consolidate the financial statements of the Company.

The consolidated accounts of Nikko Cordial Corporation are available from 6-5, Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-8225, Japan.

The Group enters into transactions at arms length with other members of The Nikko Cordial Group in the normal course of its business.

The Group has made use of the exemption in Financial Reporting Standard No.8 ("Related Party Disclosures") not to disclose transactions with other Nikko Group companies and investees of the Nikko Cordial Group qualifying as related parties.