PD Logistics Limited

(Formerly Powell Duffryn Storage Limited)

Annual report and financial statements
for the year ended 31 March 2003

Registered number: 1422772

Contents

Directors' report

For the year ended 31 March 2003

The Directors present their report on the affairs of PD Logistics Limited (the "Company"), together with the audited financial statements and independent auditors' report, for the year ended 31 March 2003. The Company changed its name from Powell Duffryn Storage Limited on 1 April 2003.

Principal activities and business review

The principal activities of the Company are the provision of logistics services. On 31 March 2003, the Company acquired the business and trade of Consolidated Land Services (Scunthorpe) Limited and R Durham & Sons Limited, two fellow group companies. On the same day, the Company transferred its wharfage business and trade to PD Port Services Limited, a fellow group company.

The Directors consider that the Company is well placed to maintain and strengthen its market position.

Results and dividends

The Company's loss after taxation for the year amounted to £776,000 (2002: £699,000). The Directors do not propose the payment of a final dividend and the loss for the financial year will be transferred from reserves.

Directors and their interests

The directors who served during the year and subsequent to the year-end were as follows:

D C J Munns	(resigned 30 November 2002)
S M Smith	(resigned 7 January 2003)
I J Pratt	(resigned 9 May 2002)
F R Brown	(appointed 9 May 2002, resigned 1 August 2002)
R J Clarke	(appointed 9 May 2002)
P G Daffern	(appointed 1 August 2002)

Information relating to Directors' interests, including options requiring disclosure under Schedule 7 of the Companies Act 1985, is given in note 2 to the financial statements.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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; and
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

M J Pounder
Secretary

PD House
Brigg Road
Scunthorpe
North East Lincolnshire
DN16 1AV

4 September 2003

Independent auditors' report to the Shareholders of PD Logistics Limited (formerly Powell Duffryn Storage Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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 with the Company is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 at 31 March 2003 and of its loss 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

Newcastle upon Tyne

4 September 2003

Profit and loss account

For the year ended 31 March 2003

	Notes	*2003* £'000	*2002* £'000
Turnover	1	6,172	7,793
Cost of sales		(4,303)	(6,177)
Gross profit		1,869	1,616
Administrative expenses		(121)	(97)
Operating profit		1,748	1,519
Finance charges	3	(2,704)	(2,527)
Loss on ordinary activities before taxation	4	(956)	(1,008)
Taxation	5	180	309
Loss for the financial year	14	(776)	(699)

On 31 March 2003, the Company transferred its wharfage business and trade to PD Port Services Limited, a fellow group company. Of the above results, turnover of £955,000 (2002: £1,330,000) and operating profit of £149,000 (2002: £331,000) were derived from an activity that has, from 1 April 2003, been discontinued.

There are no recognised gains or losses in either year other than the loss for that year.

Balance sheet

31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	12,668	9,800
Current assets			
Stocks	8	142	31
Debtors	9	36,004	26,209
Cash at bank and in hand		36	120
		36,182	26,360
Creditors: Amounts falling due within one year	10	(17,957)	(4,916)
Net current assets		18,225	21,444
Total assets less current liabilities		30,893	31,244
Creditors: Amounts due in more than one year	11	(26,371)	(25,740)
Provisions for liabilities and charges	12	-	(206)
Net assets		4,522	5,298
Capital and reserves			
Called-up share capital	13	4,000	4,000
Profit and loss account	14	522	1,298
Equity shareholders' funds	15	4,522	5,298

The financial statements on pages 6 to 20 were approved by the board of directors on 4 September 2003 and signed on its behalf by:

R J Clarke
Director

The accompanying notes are an integral part of these financial statements.

Statement of accounting policies
31 March 2003

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings, and in accordance with applicable accounting standards.

The Company has taken advantage of the exemption from the requirement of Financial Reporting Standard ("FRS") 1 "Cash flow statements" to present a cash flow statement because it is a wholly owned subsidiary of NPIL Holdco Limited which prepares consolidated financial statements which are publicly available.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	25 to 50 years
Leasehold land and buildings	*The period of the lease*
Plant and machinery	2 to 20 years
Fixtures, fittings and vehicles	3 to 5 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials and labour costs and also those overheads that have been incurred in bringing the stock to its present location and condition. Net realisable value is based on an estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

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 at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is 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 financial statements. 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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Pension schemes

The Company provides pensions to the majority of employees through a contributory final salary defined benefit scheme, the PD Pension Plan, ("the PD Scheme") which covers employees from a number of group companies. The assets of the PD Scheme are fully funded, held independently of the Company by a trustee company and are invested by professional fund managers.

Contributions to the PD Scheme are based on pensionable salaries across the participant companies as a whole. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are not identified in respect of the individual participant companies, and hence no adjustment to the regular cost is charged or credited to the Company's profit and loss account. Contributions by the Company to the PD Scheme are therefore charged to the profit and loss account in the period in which they fall due.

Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

Related party transactions

The Company is a wholly owned subsidiary of NPIL Holdco Limited and has taken advantage of the exemptions in FRS 8 "Related party disclosures" which allow non-disclosure of all transactions with other members of the group which eliminate on consolidation.

Notes to the financial statements

31 March 2003

1 Turnover

All turnover arose from the business of warehousing, wharfage and transport services. All turnover for both years arose entirely in the United Kingdom.

2 Staff costs

Particulars of employees (including executive directors) are shown below.

a) Staff costs during the year were:

	2003 £'000	2002 £'000
Wages and salaries	1,103	1,130
Social security costs	80	102
Other pension costs	-	4
	1,183	1,236

b) The *average monthly number of employees (including executive directors) was:*

	2003 Number	2002 Number
Management	6	11
Administrative, clerical & supervisory	24	27
Other	27	27
	57	65

c) Directors' remuneration:

	2003 £'000	2002 £'000
Emoluments	152	164

2 Staff costs (continued)

Included in the above remuneration are the emoluments of Mr I J Pratt in respect of management services in relation to the Company and Powell Duffryn Shipping Limited, a fellow subsidiary undertaking. It is not practicable to determine the proportions of such emoluments that are attributable to services to the Company. These emoluments were paid wholly by another group company and were not recharged to either company.

The emoluments of Messrs Brown, Smith, Clarke and Daffern were paid wholly by PD Group Management Limited, a fellow group company. It is not practicable to determine the proportions of such emoluments that are attributable to these Directors' services to the Company.

The Directors have no interests in the share capital of the ultimate parent undertaking, NPIL Holdco Limited, or any other group undertaking, required to be disclosed under Schedule 7 of the Companies Act 1985.

All Directors who served during the year were members of defined benefit schemes for both years.

3 Finance charges (net)

	2003 £'000	2002 £'000
Investment income		
Other interest receivable	20	-
Interest receivable from to fellow group undertakings	11	-
	31	-
Interest payable and similar charges		
Interest payable to fellow group undertakings	(2,735)	(2,527)
	(2,704)	(2,527)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets		
- owned	421	383
Auditors' remuneration for audit services	9	10
Operating lease rentals		
- plant and machinery	119	125
- other	276	277
Exceptional items:		
- loss on sale of tangible fixed assets	-	684

The Company incurred £nil (2002: £nil) in respect of non-audit services. Certain other non-audit services performed by Arthur Andersen and Deloitte & Touche, (the Company's previous auditors), were billed to Powell Duffryn Limited and are disclosed in the financial statements of that company. It is not practicable to determine the allocation of such centrally billed costs to the Company.

5 Taxation

	2003 £'000	2002 £'000
Analysis of tax charge:		
UK Corporation tax on loss for the period	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Timing differences	180	309
	180	309

5 Taxation (continued)

Factors affecting the tax charge in the period

The tax assessed for the year is different from the standard rate of UK Corporation tax (30%). The differences are explained below:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(956)	(1,008)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	287	302
Effects of:		
Estimate of expenses disallowed	(2)	(97)
Depreciation on non qualifying assets	(3)	(18)
Profit on sale of non qualifying assets	(2)	249
Loss on sale of qualifying assets	-	(360)
Estimate of capital allowances in excess of depreciation	(14)	39
Other timing differences	45	16
Group relief surrendered for no consideration	(311)	(131)
Current tax charge for the period	-	-

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property or on the sale of property where potentially taxable gains have been rolled into replacement assets. Such tax could become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £1,512,000 (2002: 1,512,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

6 Acquisitions and disposals

On 31 March 2003, the Company acquired the business and trade of Consolidated Land Services (Scunthorpe) Limited ("CLS") and R Durham & Sons Limited, ("Durhams") two fellow group companies. On the same date, the Company transferred the trade and business of its wharfage activities to PD Port Services Limited, a fellow group company The net assets acquired and disposed of, which were not subject to any fair value adjustments, were as follows:

		Acquisitions		Disposal of
	CLS	Durhams	Total	Wharfage
	£'000	*£'000*	*£'000*	*£'000*
Fixed assets				
Tangible assets	2,880	2,896	5,776	(2,645)
Current assets				
Stocks	61	79	140	(4)
Debtors	7,128	5,287	12,415	(177)
Cash at bank and in hand	-	13	13	-
	7,189	5,379	12,568	(181)
Creditors: Amounts falling due within one year	(3,196)	(1,799)	(4,995)	138
Net current assets	3,993	3,580	7,573	(43)
Total assets less current liabilities	6,873	6,476	13,349	(2,688)
Provisions for liabilities and charges	59	49	108	-
Net assets acquired/(disposed of)	6,932	6,525	13,457	(2,688)
Consideration	6,932	6,525	13,457	(2,688)

The consideration for all transactions was added to the inter-company loan account between the relevant companies.

7 Tangible fixed assets

	Freehold property £'000	Long & short leasehold property £'000	Plant, machinery & equipment £'000	Fixtures, Fittings and vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2002	5,276	5,430	2,255	784	13,745
Additions	21	126	13	9	169
Transferred from group undertakings	3,426	886	-	1,464	5,776
Disposals	-	-	-	(107)	(107)
Transferred to group undertakings	(2,937)	-	(1,179)	(50)	(4,166)
At 31 March 2002	5,786	6,442	1,089	2,100	15,417
Depreciation					
At 1 April 2002	882	1,214	1,382	467	3,945
Charge for the year	80	141	138	62	421
Disposals	-	-	-	(96)	(96)
Transferred to group undertakings	(679)	-	(800)	(42)	(1,521)
At 31 March 2002	283	1,355	720	391	2,749
Net book value					
At 31 March 2003	5,503	5,087	369	1,709	12,668
At 31 March 2002	4,394	4,216	873	317	9,800

Freehold land amounting to approximately £2,188,000 (2002: £2,215,000) has not been depreciated.

8 Stocks

	2003 £'000	2002 £'000
Finished goods	142	31

There is no material difference between the balance sheet value of stocks and their replacement cost.

9 Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Trade debtors	6,847	1,142
Amounts owed by parent company and fellow subsidiaries	28,186	24,878
Other debtors	77	-
Deferred taxation (note 12)	82	-
Prepayments and accrued income	812	189
	36,004	26,209

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Bank loans and overdrafts	79	-
Trade creditors	3,183	522
Amounts owed to parent company and fellow subsidiaries	11,444	2,402
Other creditors	349	200
Other taxation and social security	763	-
Accruals and deferred income	2,139	1,792
	17,957	4,916

11 Creditors: amounts falling due in more than one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	26,371	25,740
Amounts owned to group undertakings fall due for payment as follows:		
Between one and two years	380	342
Between two and five years	1,255	1,178
After five years	24,736	24,220
	26,371	25,740
On demand or within one year	342	304
	26,713	26,044

Of the amounts owed to group undertakings, £21,762,000 (2002: £22,066,000) is secured by way of a fixed and floating charge over the assets of the Company and is repayable in the periods to 31 March 2031. This debt attracts fixed interest rates, after the effect of the interest rate swaps, currently of between 6.4% and 11.6%. The balance of £4,951,000 (2002: £3,978,000) is unsecured, is repayable in full on 31 March 2031, and attracts an interest rate of 23%.

12 Provision for liabilities and charges

Deferred Taxation	£'000
At 1 April 2002	206
Transferred from profit and loss account	(180)
Transferred from group undertakings	(108)
At 31 March 2003	(82)

The deferred tax asset at 31 March 2003 has been disclosed as a debtor in note 9 above.

The analysis of the deferred taxation provided in the financial statements is as follows:

	2003 £'000	2002 £'000
Excess of tax allowances over depreciation	108	206
Other timing differences	(190)	-
	(82)	206

13 Called-up share capital

	2003 £'000	2002 £'000
Authorised		
4,000,000 Ordinary shares of £1 each	4,000	4,000
Allotted, called-up and fully paid		
4,000,000 Ordinary shares of £1 each	4,000	4,000

14 Profit and loss account

	£'000
At 1 April 2002	1,298
Loss for the year	(776)
At 31 March 2003	522

15 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(776)	(699)
Net reduction in equity shareholders' funds	(776)	(699)
Opening shareholders' funds	5,298	5,997
Closing shareholders' funds	4,522	5,298

16 Financial commitments

a) The Company has entered into non-cancellable operating leases in respect of plant and equipment and land and buildings. The amounts payable under these leases in the next financial year are as follows:

	Land and buildings		Other	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Leases which expire				
- within one year	-	-	259	24
- between two and five years	-	-	330	77
- after five years	264	264	-	-
	264	264	589	101

16 Financial commitments (continued)

b) Capital commitments contracted for at 31 March 2003 amounted to £16,000 (2002: £27,000).

c) As at 31 March 2003, the Company (along with certain other companies) had guaranteed the obligations of THPA Finance Limited, a fellow subsidiary, under the terms of the issue of that company's listed debt. The amount guaranteed by the Company at 31 March 2003 under these arrangements totalled £275,200,000 (2002: £272,150,000). The guarantees were secured by fixed and floating charges.

17 Pension arrangements

The Company is a participant in the PD Pension Plan, ("the PD Scheme") which is a funded, defined benefit scheme of Powell Duffryn Limited. Contributions to the PD Scheme are based on pensionable salaries across the participant companies as a whole. Additional disclosures regarding the PD Scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the Company will account for its contributions to the PD Scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the assets and liabilities in the PD Scheme on a consistent and reasonable basis. The latest actuarial valuation of the PD Scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the ultimate parent undertaking, shows a deficit of £64.4m (2002: surplus of £61.3m), before deferred tax. On the recommendation of the actuary, employers' contributions were made during the year at a rate of 0% (2002: 0.6%) of pensionable earnings. Further details of this valuation can be found in the consolidated financial statements of NPIL Holdco Limited.

18 Ultimate parent company

The Company's intermediate parent company, which produces consolidated financial statements including the results of the Company, is Ports Holdings Limited, a company registered in England and Wales. Copies of the financial statements of this company are available from its registered office, 17-27 Queen's Square, Middlesbrough, TS2 1AH.

The directors consider that Nikko Principal Investments Limited, which holds warrants to subscribe for ordinary shares in the Company's ultimate parent undertaking and which, on exercise, would make it the majority shareholder, has effective control of the Company.

The parent undertaking of the largest group that presents consolidated financial statements including the results of the Company is NPIL Holdco Limited, a company registered in England and Wales. Nikko Cordial Corporation, a company incorporated in Japan, has beneficial ownership of the majority of the ordinary shares of NPIL Holdco Limited; however, as the minority shareholder has certain rights reserved to it, the directors consider neither shareholder has control of this company.

Copies of the financial statements for NPIL Holdco Limited are available from the Company Secretary, NPIL Holdco Limited, 100 Pall Mall, London SW1Y 5NN.