

Expeditors International (UK) Limited

Annual report and financial statements

Registered number 1872622

For the year ended 31 December 2015



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Strategic report

Principal activities

Expeditors International (UK) Ltd ("the company") is engaged in the business of global logistics management, including international freight forwarding and consolidation, for both air and ocean freight, as well as acting as a customs broker. The company also provides additional services including order management, time definite transportation, warehousing and distribution, cargo insurance and customized logistics solutions.

Principal risks and uncertainties

International trade is influenced by many factors, including economic and political conditions in the United Kingdom and abroad, currency exchange rates and United Kingdom and foreign laws and policies relating to tariffs, trade restrictions, regional and global conflicts. Periodically, governments consider a variety of changes to current tariffs and trade restrictions. The result of the UK's referendum on EU membership has significantly increased uncertainty in this regard. The company cannot predict the changes that may be adopted, nor can the company predict the effects the adoption of any such changes will have on the company's business.

As a non-asset based carrier, the company does not own transportation assets. Rather, the company generates the major portion of its air and ocean freight revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to its customers. By consolidating shipments from multiple customers and concentrating its buying power, the company is able to negotiate favourable buy rates from the direct carriers, while at the same time offering lower sell rates than customers would otherwise be able to negotiate themselves.

The company's ability to provide services to its customers is highly dependent on good working relationships with a variety of entities including airlines, ocean lines and governmental agencies. The company considers its current working relationships with these entities to be satisfactory. However, changes in space allotments available from carriers or changes in governmental quota restrictions could affect the company's business in unpredictable ways.

The company is a service business. The quality of this service is directly related to the quality of the company's employees. Identifying, training and retaining key employees is essential to continued growth and future profitability. In order to retain the services of highly qualified, experienced and motivated employees, the company places considerable emphasis on its non-equity incentive compensation programs.

Taking account of the above considerations, the company believes it is well positioned to grow the business, given the strong balance sheet and experienced workforce.

Business review

The company monitors the following key performance indicators:

KPI	2015	2014
	£m	£m
Turnover	128	125
Gross Profit	42	37
Operating Profit	10	8

Airfreight services revenues in 2015 decreased 13% as compared with 2014, due primarily to lower average sell rates in response to competitive market conditions and a decrease in tonnage. Ocean freight and ocean services revenues increased 17% as compared with 2014, due primarily to an increase in container volume.

Strategic report *(continued)*

Business review *(continued)*

The company's balance sheet remains strong, with £23.6 million of net assets at 31 December 2015. The company owns freehold land and buildings with a net book value of £55.3 million which are funded by a parent company USD loan of \$54.25 million (£42.5 million at 31 December 2015). The movement in the GBP/USD exchange rate during the year, resulted in an exchange loss of £2.0 million on the loan, compared to a loss of £2.1 million in 2014. Net current assets at 31 December 2015 were £11.3 million, including cash of £8.4 million.

By order of the board



T Barber
Director
14 September 2016

1 Ascot Road
Bedfont
Middlesex
TW14 8QH

Directors' report

Directors

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

B L Baron (Retired 10/11/15)
R J Gates (Retired 10/11/15)
J S Musser
P M Coughlin
T Barber (Appointed 02/09/15)

Proposed dividend

The directors do not recommend the payment of a final dividend (2014: *£nil*). Interim dividends of £10,000,000 / £1,515.15 per share (2014: £12,000,000 / £1,818.18 per share) were paid to the ordinary shareholders.

Employees

The company is committed to promoting equality of opportunity for all staff and job applicants. The company aims to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. The company does not discriminate against staff on the basis of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

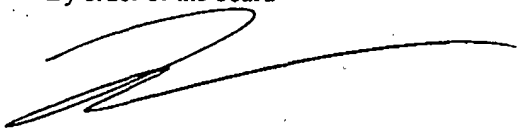
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



T Barber
Director
14 September 2016

1 Ascot Road
Bedfont
Middlesex
TW14 8QH

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AUDITOR'S REPORT OT THE MEMBERS OF EXPEDITORS INTERNATIONAL (UK) LIMITED

We have audited the financial statements of Expeditors International (UK) Limited for the year ended 31 December 2015 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT OT THE MEMBERS OF EXPEDITORS INTERNATIONAL (UK) LIMITED

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Neil Hughes', with a horizontal line drawn underneath it.

Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Reading

15 September 2016

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	127,971	124,512
Cost of sales		(85,731)	(87,123)
Gross profit		42,240	37,389
Administrative expenses		(32,164)	(29,224)
Operating profit		10,076	8,165
Interest receivable and similar income	6	29	52
Interest payable and similar charges	7	(2,595)	(2,546)
Profit on ordinary activities before taxation	3-5	7,510	5,671
Tax on profit on ordinary activities	8	(1,778)	(1,427)
Profit for the financial year		5,732	4,244

There were no items of other comprehensive income in the current or preceding year and therefore total comprehensive income does not differ from profit for the financial year.

All figures relate to continuing activities.

Notes on pages 9 to 21 form part of the financial statements.

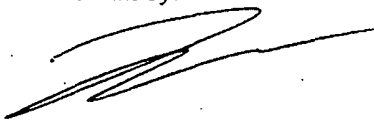
Balance sheet

as at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	10	56,879	57,444
Current assets			
Debtors	11	32,549	41,687
Cash at bank and in hand		8,389	3,584
Creditors: amounts falling due within one year	12	<u>40,938</u> <u>(29,418)</u>	<u>45,271</u> <u>(32,610)</u>
Net current assets		<u>11,520</u>	<u>12,661</u>
Total assets less current liabilities		<u>68,399</u>	<u>70,105</u>
Creditors: amounts falling due after more than one year	13	<u>(42,514)</u>	<u>(40,523)</u>
Provisions for liabilities	14	<u>2,333</u>	<u>(2,224)</u>
Net assets		<u>23,552</u>	<u>27,358</u>
Capital and reserves			
Called up share capital	16	7	7
Profit and loss account		23,545	27,351
Shareholder's funds		<u>23,552</u>	<u>27,358</u>

Notes on pages 9 to 21 form part of the financial statements.

These financial statements were approved by the board of directors on 14 September 2016 and were signed on its behalf by:



T Barber
Director

Company registered number: 1872622

Statement of changes in equity

	Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2014	7	34,702	34,709
Total comprehensive income for the year			
Profit for the year		4,244	4,244
		<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Equity-settled share based payment transactions		405	405
Dividends		(12,000)	(12,000)
		<hr/>	<hr/>
		(11,595)	(11,595)
		<hr/>	<hr/>
At 1 January 2015	7	27,351	27,358
Total comprehensive income for the year			
Profit for the year		5,732	5,732
		<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Equity-settled share based payment transactions		462	462
Dividends		(10,000)	(10,000)
		<hr/>	<hr/>
		(9,538)	(9,538)
		<hr/>	<hr/>
At 31 December 2015	7	23,545	23,552
	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Expeditors International (UK) Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking, Expeditors International of Washington Inc, includes the Company in its consolidated financial statements. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and are available to the public and may be obtained from www.expd.com. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

As the consolidated financial statements of Expeditors International of Washington Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and no estimates with a significant risk of material adjustment in the next year.

Going concern

The company's principal business activities, together with the principal risks and uncertainties facing the company are set out in the strategic report. The company has traded profitably and the directors expect this to continue. The company has net current assets and net assets. As stated in note 13, the company has a parent company loan which is repayable on demand. However, the directors have agreed with the parent undertaking that it will not seek repayment of the loan prior to 30 September 2017, so long as the company maintains an interest in the property for which the loan was made.

After taking into account the above factors, the directors believe that the company can manage its business risks successfully and are satisfied that the company has sufficient financial resources to enable it to continue operating in the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the directors' report and financial statements.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	40 years
Leasehold improvements	life of lease
Office furniture, fittings and equipment	33 $\frac{1}{3}$ % per annum
Warehouse equipment	20% per annum
Computer equipment	33 $\frac{1}{3}$ % per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a *pro rata* basis.

Notes (continued)

1 Accounting policies (continued)

Impairment (continued)

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Turnover and revenue recognition

Turnover represents charges made to customers for freight services carried out during the year, after deduction of credit notes and VAT.

The company derives its revenues from three principal sources: 1) airfreight services, 2) ocean freight and ocean services, and 3) customs brokerage and other services.

As a non-asset based carrier, the company does not own transportation assets. Rather, the company generates the major portion of its air and ocean freight revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to its customers, acting as an indirect carrier. By consolidating shipments from multiple customers and concentrating its buying power, the company is able to negotiate favourable buy rates from direct carriers, while at the same time offering lower sell rates than customers would otherwise be able to negotiate themselves.

When acting as an indirect carrier, the company will issue a House Airway Bill (HAWB) or a House Ocean Bill of Lading (HOBL) to customers as the contract of carriage. In turn, when the freight is physically tendered to a direct carrier, the company receives a contract of carriage known as a Master Airway Bill for airfreight shipments and a Master Ocean Bill of Lading for ocean shipments. At this point, the risk of loss passes to the carrier, however, in order to claim for any such loss, the customer is first obligated to pay the freight charges. Based upon terms in the contract of carriage, revenues related to shipments where the company issues a HAWB or a HOBL are recognized at the time the freight is tendered to the direct carrier at origin.

Customs brokerage and other services involves providing services at destination, such as helping customers clear shipments through customs by preparing required documentation, calculating and providing for payment of duties and other taxes on behalf of the customers and arranging for delivery. Revenues related to customs brokerage and other services are recognized upon completion of the services.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

The company is part of group share-based payment plans and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The allocation is based on fair value of share-based payments received by employees of the company.

Notes (continued)

2 Analysis of turnover

The whole of the turnover is attributable to the one principal activity of the company.

	2015 £000	2014 £000
<i>By geographical market</i>		
United Kingdom	97,528	93,244
Rest of European Union	3,654	5,233
Rest of World	26,789	26,035
	<hr/>	<hr/>
Total	127,971	124,512
	<hr/>	<hr/>

3 Auditor's remuneration

	2015 £000	2014 £000
Audit of these financial statements	12	12
	<hr/>	<hr/>
Amounts receivable by the company's auditor and its associates in respect of: Audit-related assurance services	49	49
	<hr/>	<hr/>

4 Remuneration of director

	2015 £000	2014 £000
Emoluments	-	283
Pension contributions – indirect by group companies	-	11
	<hr/>	<hr/>
	-	294
	<hr/>	<hr/>

The change of directors in 2015 has resulted in all directors being remunerated by the parent company, with no remuneration paid directly by the company. Directors remunerated by the parent company have their primary roles in respect of other group companies; an inconsequential proportion of their time is considered to relate to their duties in respect of the company.

Retirement benefits are accruing to no directors (2014: 1 director) under money purchase schemes.

Share options were exercised by 3 directors (2014: 3 directors).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Operations	363	339
Administration and finance	123	107
Sales	31	31
	<u>517</u>	<u>477</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	18,086	15,968
Share based payments (see note 19)	462	405
Social security costs	1,981	1,745
Other pension costs (see note 18)	690	630
	<u>21,219</u>	<u>18,748</u>

6 Interest receivable and similar income

	2015 £000	2014 £000
Other	<u>29</u>	<u>52</u>

7 Interest payable and similar charges

	2015 £000	2014 £000
Payable to group undertakings	570	486
Loss on foreign currency translation	2,025	2,060
	<u>2,595</u>	<u>2,546</u>

Notes (continued)

8 Taxation

	2015 £000	2015 £000	2014 £000	2014 £000
<i>UK corporation tax</i>				
Current tax on income for the period	1,669		1,301	
Total current tax		1,669		1,301
<i>Deferred tax</i>				
Origination/reversal of timing differences	121		126	
Effect of tax rate change on opening balance	(12)		-	
Total deferred tax		109		126
Tax on profit on ordinary activities		1,778		1,427

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	5,732	4,244
Total tax expense	1,778	1,427
Profit excluding taxation	7,510	5,671
Tax using the UK corporation tax rate of 20.25% (2014: 21.49%)	1,520	1,219
Reduction in tax rate on deferred tax balances	(27)	(9)
Non-deductible expenses	291	218
Income not taxable for tax purposes	(6)	(1)
Total tax expense included in profit or loss	1,778	1,427

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. These reductions will reduce the company's future current tax charge accordingly and reduce the company's deferred tax liabilities

9 Dividends

The aggregate amount of dividends comprises:

	2015 £000	2014 £000
Interim dividends paid	10,000	12,000

Notes (continued)

10 Tangible fixed assets

	Freehold buildings £000	Land £000	Leasehold improvements £000	Office furniture fittings & equipment £000	Warehouse equipment £000	Computer equipment £000	Total £000
Cost							
At beginning of year	19,549	37,755	3,516	1,246	2,303	2,783	67,152
Additions	336	-	28	116	120	415	1,015
Disposals	-	-	(5)	(79)	(22)	(74)	(180)
At end of year	19,885	37,755	3,539	1,283	2,401	3,124	67,987
Depreciation							
At beginning of year	1,811	-	2,536	1,141	2,123	2,097	9,708
Charge for year	498	-	270	94	154	560	1,576
On disposals	-	-	(5)	(78)	(21)	(72)	(176)
At end of year	2,309	-	2,801	1,157	2,256	2,585	11,108
Net book value							
At 31 December 2015	17,576	37,755	738	126	145	539	56,879
At 31 December 2014	17,738	37,755	980	105	180	686	57,444

11 Debtors

	2015 £000	2014 £000
Trade debtors	28,767	37,292
Amounts owed by parent and fellow subsidiary undertakings	2,045	2,451
Other debtors	959	1,159
Prepayments and accrued income	778	754
Prepaid tax	-	31
	32,549	41,687

Notes (continued)

12 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	24,035	26,953
Amounts owed to parent and fellow subsidiary undertakings	3,141	3,553
Taxation and social security	1,113	850
Other creditors	151	157
Accruals	978	1,097
	<u>29,418</u>	<u>32,610</u>

13 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amount owed to group undertaking	<u>42,514</u>	<u>40,523</u>

Interest is payable at LIBOR +1%.

The loan is denominated in USD and is repayable on demand. However, prior to 31 December 2015, the directors agreed with their parent undertaking that it would not seek repayment of the loan in the next twelve months, so long as the company maintains an interest in the property for which the loan was made and thus the loan is classified as due after more than one year.

14 Provisions for liabilities

	Repair obligation £000	Deferred Tax (note 15) £000	Total £000
At beginning of the year	2,108	116	2,224
Additions	=	<u>109</u>	<u>109</u>
	<u>2,108</u>	<u>225</u>	<u>2,333</u>
At end of the year	<u>2,108</u>	<u>225</u>	<u>2,333</u>

The company has various property leases which require the company to return the property to the landlord at the end of the tenancy in a specified condition. The above provision is recognised as the estimated cost of returning these premises to the condition specified in the leases. The cash outflows are expected in 2016 – 2021.

Notes (continued)

15 Deferred tax

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowances	(432)	(344)
Estimated future deduction for share based payments	134	152
Other timing differences	73	76
	<u>(225)</u>	<u>(116)</u>

Deferred tax has been calculated at 20% being the rate substantively enacted at the balance sheet date.

16 Called up share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i> 6,600 Ordinary shares of £1 each	7	7

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	840	1,020
Between one and five years	2,089	1,768
More than five years	370	1,111
	<u>3,299</u>	<u>3,899</u>

During 2015 £933,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £1,089,000).

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £690,000 (2014: £630,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes (continued)

19 Share based payments

Employees of the company receive stock options under stock option plans of Expeditors International of Washington, Inc. the sole shareholder of the company. At 31 December 2015, Expeditors International of Washington, Inc. has one stock option plan (the "2015 Plan") for employees under which its Board of Directors may grant officers and key employees options to purchase common stock at prices equal to or greater than market value on the date of grant. Under the stock option plans, outstanding options generally vest and become exercisable over periods up to five years from the date of grant and expire no more than 10 years from the date of grant. The company does not incur any obligation as a result of the grant of stock options by Expeditors International of Washington, Inc. to its employees and does not issue any share nor any cash settlement upon exercise of the options by its employees.

Also, employees of the company may participate to Expeditors International of Washington, Inc.'s Employee Stock Purchase Plan ("2002 Plan"), which became effective 1 August 2002. The 2002 Plan provides for shares of Expeditors International of Washington, Inc.'s common stock to be reserved for issuance upon exercise of purchase rights granted to employees who elect to participate through regular payroll deductions beginning 1 August of each year. The purchase rights are exercisable on 31 July of the following year at a price equal to the lesser of (1) 85% of the fair market value of the company's stock on 31 July or (2) 85% of the fair market value of the company's stock on the preceding 1 August. The company does not issue any share nor any cash settlement upon exercise of the purchase rights by its employees.

The fair value of services received in return for share based payments is measured by reference to an estimate of the fair value of options awarded under Expeditors International of Washington Inc.'s fixed stock option or employee stock purchase rights plans.

As of 31 December 2015, employees of the company held 259,653 outstanding options with an average remaining contractual life of 5.67 years. Details of the movement in the outstanding options between 1 January 2015 and 31 December 2015 are detailed below:

	Shares		Weighted-Average Exercise Price	
	2015	2014	2015	2014
Shares outstanding as at 1 January	260,532	248,628	\$42.01	\$41.77
Options granted	37,350	36,200	\$47.27	\$41.54
Options exercised	(34,491)	(15,083)	\$36.88	\$35.03
Options forfeited	(2,888)	(9,213)	\$41.38	\$45.13
Movement due to employees transferring to/from the UK	(850)	-	-	-
Shares outstanding as at 31 December	259,653	260,532	\$43.47	\$42.01
Shares exercisable as at 31 December	128,877	132,832	\$44.71	\$42.70

The total expenses recognised for the period arising from share based payments are as follows:

	2015 £000	2014 £000
Share based payments	462	405

Notes (continued)

20 Events after the reporting period

On 24 May 2016 the company approved a dividend of £9m payable to its shareholders.

On 20 June 2016 the company approved a dividend of £2m payable to its shareholders

21 Ultimate holding company

The company is a subsidiary undertaking of Expeditors International of Washington Incorporated, incorporated in the state of Washington, United States of America, which is also the company's ultimate controlling party.

The only group in which the results of the company are consolidated is that headed by Expeditors International of Washington Incorporated. The consolidated financial statements are available to the public and may be obtained from:

Expeditors International of Washington Incorporated
1015 Third Avenue
12th Floor
Seattle, WA 98104
United States of America