

Expeditors International (UK) Limited

**Directors' report and financial
statements**

Registered number 1872622

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the company is air and sea freight export and import forwarding.

Business review

The company's results for the year were satisfactory and the directors believe that this position will continue into the year ending 31 December 2002.

Proposed dividend

The directors do not recommend the payment of a final dividend. Interim dividends of £151.52 per share and totalling £ 1,000,000 (2001: £3,800,000 - £575.75 per share) were paid to the ordinary shareholders.

Directors and directors' interests

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

B L Baron

R C Saber

R J Gates

PJ Rose

J Anderson

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group companies.

Employees

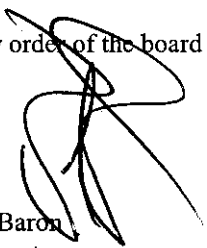
The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted on a wide range of matters affecting their current and future interests.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



B Baron
Director

Units 4 & 5
The Heston Centre
Southall Lane
Heston
Middlesex
TW5 9NJ

Statement of 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 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.



Arlington Business Park
Theale
Reading
Berks RG7 4SD

Independent auditors' report to the members of Expeditors International (UK) Limited

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with sections 235 of the Companies Act 1985. 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, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 August 2003

Profit and loss account

for the year ended 31 December 2002

	Note	2002 £000	(Restated note 1) 2001 £000
Turnover		50,252	49,791
Cost of sales		(31,002)	(29,900)
Gross profit		19,250	19,891
Administrative expenses		(16,653)	(16,318)
Operating profit		2,597	3,573
Interest receivable		79	66
Profit on ordinary activities before taxation	2-4	2,676	3,639
Tax on profit on ordinary activities	5	(682)	(1,199)
Profit on ordinary activities after taxation		1,994	2,440
Dividend paid: Equity	6	(1,000)	(3,800)
Retained profit/(loss) for the year		994	(1,360)
Retained profit brought forward		4,537	5,897
Retained profit carried forward		5,531	4,537

There were no recognised gains or losses in the current or preceding year other than those noted above. All figures relate to continuing activities.

Balance sheet

at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	7	40,604	1,544
Current assets			
Debtors	8	21,855	13,037
Cash at bank and in hand		4,024	3,158
Creditors: amounts falling due within one year	9	<u>25,879</u> <u>(17,528)</u>	<u>16,195</u> <u>(13,195)</u>
Net current assets		<u>8,351</u>	<u>3,000</u>
Total assets less current liabilities		<u>48,955</u>	<u>4,544</u>
Creditors: amounts falling due after more than one year	10	<u>(43,417)</u>	<u>-</u>
Net assets		<u>5,538</u>	<u>4,544</u>
Capital and reserves			
Called up share capital	12	7	7
Profit and loss account		5,531	4,537
		<u>5,538</u>	<u>4,544</u>

These financial statements were approved by the board of directors on 10th July 2003 and
were signed on its behalf by:



B Baron
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has also adopted FRS 19 "Deferred tax" in these financial statements. No adjustment to the comparative figures was required. The company has amended its accounting policy for turnover under FRS 18 "Accounting Policies" as set out below. The comparative figures for turnover and cost of sales were adjusted accordingly.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

As the company is a wholly owned subsidiary undertaking whose results are included in consolidated accounts which are publicly available, the company has taken advantage of the exemptions, available under Financial Reporting Standard 1 (Revised 1996) to subsidiaries which are more than 90% owned, not to publish a cashflow statement.

The company is also taking advantage of the exemption which is available on the same criteria under Financial Reporting Standard 8 not to disclose transactions with other group undertakings. There were no other related party transactions during the year.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land	not depreciated
Freehold Buildings	4 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
Motor cars	33 $\frac{1}{3}$ % per annum
Motor vans	25% per annum

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date. Exchange differences arising from normal trading operations and settled transactions are included in trading profit.

Leases

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The company has adopted FRS 19 'Deferred Tax' in these financial statements.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

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

In November 2001, the US Accounting Standards Board issued Topic D-103 (subsequently re-characterised as EITF 01-14), "Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred." This staff announcement clarified certain provisions of EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent," and among other things established when reimbursements are required to be shown gross as opposed to net. The company believes that under FRS 18 'Accounting Policies' this policy is a more appropriate reflection of the business and it has adopted it in these accounts. Prior to the policy amendment, the Company recorded such reimbursements on a net basis. The Company has reclassified amounts in the 2001 presentations to conform with the current presentation. The effect on turnover and cost of sales due to the change in accounting policy is £13.6m for 2001 and £15.1m for 2002.

2 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration: Audit	24	27
Other	9	7
Depreciation of tangible fixed assets	750	676
Operating lease rentals	1,701	1,151
Profit on sale of fixed assets	10	24
	<hr/>	<hr/>

3 Remuneration of directors

		2002 £000	2001 £000
As Directors	Emoluments	142	243
	Pension contributions	12	12
		<u>154</u>	<u>255</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £ 141,509 (2001: £ 150,606) and company pension contributions of £ 11,691 (2001: £ 4,500) were paid to a defined contribution scheme on his behalf.

Retirement benefits are accruing to 1 director (2002: 2) under money purchase schemes.

4 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	
	2002	2001
Operations	278	261
Administration and finance	23	25
Sales	25	22
	<u>326</u>	<u>308</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	7,201	7,598
Social security costs	741	770
Other pension costs (see note 15)	227	207
	<u>8,169</u>	<u>8,575</u>

Notes *(continued)*

5 Taxation

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	888	1,205
Deferred tax (note 11)	(236)	-
Adjustments in respect of prior periods	30	(6)
	<hr/>	<hr/>
Total current tax	682	1,199
	<hr/>	<hr/>
Tax on profit on ordinary activities	682	1,199
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,676	3,639
	<hr/>	<hr/>
Current tax at 30 % (2001: 30%)	803	1,092
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	33	92
Depreciation for period in excess of capital allowances	52	21
Short term timing differences	-	-
	<hr/>	<hr/>
Total current tax charge (see above)	888	1,205
	<hr/>	<hr/>

Notes (continued)

6 Dividend

	2002 £000	2001 £000
Interim dividend proposed and paid	1,000	3,800

7 Tangible fixed assets

	Freehold Buildings	Land	Leasehold improvements	Office furniture fittings & equipment	Warehouse equipment and motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At beginning of year	-	-	1,234	926	887	2,137	5,184
Additions	3,898	35,082	411	89	142	220	39,841
Disposals	-	-	(44)	-	(197)	(16)	(257)
At end of year	3,898	35,082	1,601	1,015	832	2,341	44,769
Depreciation							
At beginning of year	-	-	687	750	616	1,587	3,640
Charge for year	-	-	305	109	30	306	750
On disposals	-	-	(118)	-	(97)	(11)	(226)
At end of year	-	-	874	859	549	1,882	4,164
Net book value							
At 31 December 2002	3,898	35,082	727	156	283	459	40,605
At 31 December 2001	-	-	547	176	271	550	1,544

Notes (continued)

8 Debtors

	2002 £000	2001 £000
Trade debtors	11,212	9,310
Amounts owed by parent and fellow subsidiary undertakings	3,474	3,151
Other debtors	6,932	436
Prepayments and accrued income	237	140
	<u>21,855</u>	<u>13,037</u>

The above debtors are all due within one year.

9 Creditors: amounts falling due within one year

	2002 £000	2002 £000	2001 £000	2001 £000
Trade creditors		11,097		8,817
Amounts owed to parent and fellow subsidiary undertakings		2,924		2,231
Other creditors including taxation and social security:				
Corporation tax	202		551	
Other taxes and social security	464		436	
	<u>666</u>		<u>987</u>	
Other creditors	169		54	
	<u>169</u>		<u>54</u>	
		835		1,041
Accruals		2,672		1,106
		<u>17,528</u>		<u>13,195</u>

10 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Amount owed to group undertaking	43,417	-

Interest is payable at a rate of 5% per annum.

Notes (continued)

11 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2002	2001		
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	(236)	-	-	(204)

12 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Ordinary shares of £1 each	7	7
7.5% cumulative preference shares of £1 each	1,000	1,000
	<u>1,007</u>	<u>1,007</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	7	7
	<u>7</u>	<u>7</u>

13 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit for the year	1,994	2,440
Dividends	(1,000)	(3,800)
	<u>994</u>	<u>(1,360)</u>
Retained (loss) for the year	994	(1,360)
Opening shareholders' funds	4,544	5,904
	<u>5,538</u>	<u>4,544</u>
Closing shareholders' funds	5,538	4,544

Notes (continued)

14 Commitments

- (i) Annual commitments under non-cancellable operating leases are as follows:

	2002 Land and buildings £000	2001 Land and buildings £000
Operating leases which expire:		
Within one year	-	7
2-5 years	1,018	936
Over 5 years	821	869
	<hr/>	<hr/>
	1,839	1,812
	<hr/>	<hr/>

- (ii) The company had capital commitments authorised or contracted for at the year end of £nil (2001: £nil).

15 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 £ 227,293 (2001: £206,680).

16 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.

The largest and smallest 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