

Registered Number 2079362

Amtrak Express Parcels Limited
Annual report
for the year ended 31 May 2003



Amtrak Express Parcels Limited

Annual report

for the year ended 31 May 2003

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Amtrak Express Parcels Limited

Directors and Advisors

Directors

J Smith (appointed 1 August 2002)

P Jones

Secretary and Registered Office

G Jakhu

Amtrak Express Parcels Limited

Company House

Tower Hill

Bristol, BS2 0AZ

Auditors

PricewaterhouseCoopers LLP

31 Great George Street

Bristol, BS1 5QD

Principal Bankers

Royal Bank of Scotland

PO Box 39979

21/2 Devonshire Square

London

EC2M 4WS

Amtrak Express Parcels Limited

Directors' report for the year ended 31 May 2003

The directors present their report and the financial statements of the company for the year ended 31 May 2003.

Principal activity

The principal activity of the company is overnight express parcel distribution, based on central sortation facilities with mainly franchised collection and distribution operations throughout the UK.

Review of business

As reported last year, the early part of the 2003 financial year was a period of considerable change for the group. At a group level, the sale of Nightspeed, restructuring of existing debt and additional funding from the group's stakeholders placed the business on a much stronger footing to address the trading and structural challenges it faced.

Whilst the losses of 2002 continued into the early part of this financial year, the reduction in overheads, improvements in productivity and increased sales effort resulted in the business returning to profitability in the middle of the year. This trend has been maintained with the business now making profit on an annualised basis and the Directors look forward to reporting a profit in the May 2004 financial statements.

This is an extremely positive outlook for the business and justifies the support in the group shown by its financial stakeholders during 2002. The Directors would like to pass on their thanks to the management team and employees for their support during this period. We look forward to their continued effort as Amtrak now seeks to improve on its increasing reputation and create further value as it exploits various niches in the sector.

Results and appropriations

The loss for the year after taxation amounted to £2,915,000 (2002: loss £3,047,000). The directors do not recommend the payment of a dividend in the current year (2002: £Nil) and the retained loss of £2,915,000 (2002: loss £3,047,000) has been transferred from reserves.

Employee consultation

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 the various factors affecting the performance of the company. The company also encourages consultation with employees so that the views of employees can be taken into account when the company makes decisions that are likely to affect employee interests. This is achieved through formal and informal meetings and the company newsletter.

Employment of disabled persons

It is the policy of the company that disabled persons, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be supported through any rehabilitation and retraining.

Amtrak Express Parcels Limited

Directors and directors' interests

The directors of the company are listed on page 1 of the annual report. In addition, the following directors resigned during the course of the year : S J Marshall (29 July 2002), L G Cullen (16 July 2002), J Ingham (8 July 2002), and N Dar (20 June 2002). No director had beneficial interests in the share capital of the company.

The interests of the directors who held office at the end of the year in the shares and share options of the ultimate parent company, Parcels Holdings Limited were as follows:

	At 31 May 2003 Deferred £1 shares	At 31 May 2002 Deferred £1 shares
P Jones	9,222	-

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

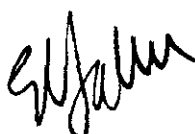
The directors confirm that suitable accounting policies have been used and applied consistently, except for the impact of the new accounting standards that have become effective in the year, as disclosed in note 1 to the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



G Jakhu
Secretary

15 September 2003

Amtrak Express Parcels Limited

Independent auditors' report to the members of Amtrak Express Parcels Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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 in to 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.

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.

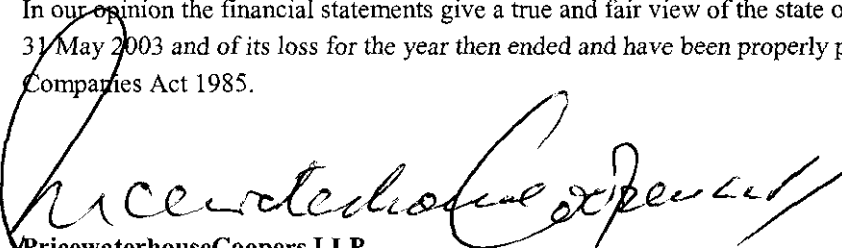
Basis of opinion

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 the company's affairs as at 31 May 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

17 September 2003

Amtrak Express Parcels Limited

Profit and loss account for the year ended 31 May 2003

		2003	2002
	Note	£'000	£'000
Turnover	3	66,851	68,643
Cost of sales		(57,717)	(58,423)
Gross profit		9,134	10,220
Administrative expenses	6	(12,045)	(13,238)
Operating (loss)		(2,911)	(3,018)
Interest payable and similar charges	7	(4)	(29)
(Loss) on ordinary activities before taxation	8	(2,915)	(3,047)
Tax on (loss) on ordinary activities before taxation	9	-	-
Retained (loss) for the financial year	17	(2,915)	(3,047)

There are no recognised gains or losses other than the loss which results from the continuing operations of the company above and therefore no separate statement of recognised gains and losses has been presented.

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

Amtrak Express Parcels Limited

Balance sheet as at 31 May 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	10	1,161	1,473
Current assets			
Stocks	11	41	74
Debtors	12	12,815	27,071
Cash at bank and in hand		4,051	5
		16,907	27,150
Creditors: amounts falling due within one year	13	(9,024)	(17,192)
Net current assets		7,883	9,958
Total assets less current liabilities		9,044	11,431
Creditors: amounts falling due after one year	14	(6,998)	(7,084)
Provisions for liabilities and charges	15	(1,146)	(532)
Net assets		900	3,815
Capital and reserves			
Called up share capital	16	10	10
Profit and loss account	17	890	3,805
Equity shareholders' funds	18	900	3,815

The financial statements on pages 5 to 15 were approved by the board on 15 September 2003 and signed on its behalf by:



P Jones
Director

Amtrak Express Parcels Limited

Notes to the financial statements for the year ended 31 May 2003

1 Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Tangible fixed assets

All fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets less their estimated residual value over their expected useful lives from the date they are brought into use on a straight line basis.

The principal rates used for this purpose are:

Motor vehicles	25%
Plant and office equipment	12.5% to 33.3%

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Where assets are financed by leasing arrangements which give risks and rewards approximating to ownership (finance lease) they are treated as if they have been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element, which reduces the outstanding liability, and an interest charge (calculated using the sum of the digits method), is taken to the profit and loss account. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2 Cash flow statement

The company is a wholly-owned subsidiary of Parcels Holdings Limited and is included in the consolidated financial statements of Parcels Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Amtrak Express Parcels Limited

3 Turnover

Turnover represents the amounts derived from the provision of goods and services during the year, within the United Kingdom, after the deduction of trade discounts and value added tax, and is categorised as follows:

	2003 £'000	2002 £'000
Income from delivery of parcels	66,827	68,598
Sales of franchises	24	45
	66,851	68,643

4 Employee information

The average number of employees of the company by activity (including directors) during the year was:

	2003 Number	2002 Number
Administration	188	191
Distribution	650	651
	838	842

Staff costs for the above persons were as follows:

	2003 £'000	2002 £'000
Wages and salaries	14,584	15,218
Social security costs	1,294	1,150
Pension contributions into personal pension schemes	47	71
Staff costs	15,925	16,439

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5 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	611	686
Company contributions to personal pension scheme	26	62
Compensation for loss of office	101	120
	738	868
Highest paid Director		
Emoluments	265	115
Company contributions to personal pension scheme	13	9
Compensation for loss of office	-	120
	278	244

6 Administrative expenses

Administration expenses for the year ended 31 May 2003 includes an exceptional charge of £234,000 relating to restructuring and reorganisation. In the prior year the company incurred exceptional administration expenses of £1,333,000 relating to refinancing, restructuring and claims against the company.

7 Interest payable and similar charges

	2003 £'000	2002 £'000
Other interest	4	29

Amtrak Express Parcels Limited

8 Loss on ordinary activities before taxation

	2003 £'000	2002 £'000
<hr/>		
Loss on ordinary activities before taxation is stated after charging the following:		
Depreciation of owned tangible fixed assets	675	775
Depreciation of leased tangible fixed assets	83	44
Hire of machinery and equipment	1,328	1,162
Other operating lease rentals	2,853	3,231
Auditors' remuneration	23	33
Auditors' remuneration for non- audit services	19	27

9 Taxation on the loss for the year

The tax assessed for the period differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
<hr/>		
(Loss) on ordinary activities before tax	(2,915)	(3,047)
Tax credit/(charge) at UK Standard rate 30% (2002 : 30%)	875	914
Effects of:		
Expenses not deductible for tax purposes	(52)	(89)
Depreciation in excess of capital allowances	142	(246)
Short term timing differences	(53)	42
Losses not recognised	(912)	(621)
Free group relief	-	-
Current tax charge for the period	-	-

Factors that may affect future tax charges

The company expects to be able to claim capital allowances in excess of depreciation in future years, having disclaimed allowances in recent years.

The company also expects to benefit from free group relief from its ultimate parent company, once it returns to profitability.

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Unrecognised deferred tax assets

The following deferred tax assets have not been recognised on the grounds of uncertainty as to the adequacy of future taxable profits after making allowance for group relief available from the ultimate parent company:

	2003 £'000	2002 £'000
Accelerated capital allowances	766	896
Short term timing difference	111	9
Trading losses	1,592	621
	2,469	1,526

10 Tangible fixed assets

	Short leasehold £'000	Motor vehicles £'000	Plant and office equipment £'000	Total £'000
Cost				
At 1 June 2002	334	69	8,210	8,613
Additions	118	-	328	446
At 31 May 2003	452	69	8,538	9,059
Depreciation				
At 1 June 2002	133	66	6,941	7,140
Charged in the year	80	3	675	758
At 31 May 2003	213	69	7,616	7,898
Net book value				
At 31 May 2003	239	-	922	1,161
At 31 May 2002	201	3	1,269	1,473

Included in the net book value of plant and office equipment are assets with a net book value of £36,719 (2002: £143,000) which are held under finance lease purchase contracts.

Amtrak Express Parcels Limited

11 Stocks

	2003 £'000	2002 £'000
Stationery and fuel stock	41	74

12 Debtors

	2003 £'000	2002 £'000
Trade debtors	10,701	10,251
Amounts due from group undertakings	1,314	15,862
Prepayments and accrued income	800	958
	12,815	27,071

13 Creditors – amounts falling due within one year

	2003 £'000	2002 £'000
Bank overdraft	-	8,569
Trade creditors	5,703	5,908
Amounts owed to group undertakings	-	120
Other tax and social security	1,324	1,091
Other creditors	114	167
Accruals and deferred income	1,782	1,223
Obligations under finance leases	101	114
	9,024	17,192

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14 Creditors – amounts falling due after more than one year

	2003 £'000	2002 £'000
Obligations under finance leases	23	109
Amount owed to group undertaking	6,975	6,975
	6,998	7,084

The amount owed to group undertaking of £6,975,000 is unsecured, interest free and has no fixed repayment terms.

Finance leases

An analysis of the maturity of obligations under finance leases is as follows:

	2003 £'000	2002 £'000
Obligations under finance leases		
Falling due within one year	101	114
Falling due between one year and two years	11	82
Falling due between two and five years	12	27
Falling due after five years	-	-
Aggregate amounts	124	223

15 Provisions for liabilities and charges

	Restructuring £'000	Other £'000	Total £'000
At 1 June 2002	132	400	532
Change during the year	(132)	746	614
At 31 May 2003	-	1,146	1,146

The provision for restructuring relates to redundancy costs which will be settled during the year ending 31 May 2003.

Other provisions include amounts relating to onerous leases, legal claims and the expected cost of dilapidations on leasehold properties. Onerous lease costs are the rents associated with currently vacant premises for the anticipated period of vacancy. Provision for legal claims relate to contractual disputes with third parties and include management's estimate of the likely level of exposure and the legal costs anticipated to be incurred in defending those claims.

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16 Called up share capital

	2003 £'000	2002 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
10,000 ordinary shares of £1 each	10	10

17 Reserves

	2003 £'000
At 1 June 2002	3,805
Loss for the year	(2,915)
At 31 May 2003	890

18 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(2,915)	(3,047)
Dividends	-	-
Net reduction to shareholders' funds	(2,915)	(3,047)
<i>Opening shareholders' funds</i>	3,815	6,862
Closing shareholders' funds	900	3,815

19 Contingent liabilities

The company is a participant in a Group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition the company has issued an unlimited multilateral cross company guarantee to the bank to support these group facilities.

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20 Financial commitments

Vehicle lease commitments

The company was committed to making the following annual payments during the next year under non-cancellable operating leases expiring:

	Property 2003 £'000	Vehicles, plant and equipment 2003 £'000	Total 2003 £'000	Property 2002 £'000	Vehicles, plant and equipment 2002 £'000	Total 2002 £'000
Within 1 year	256	127	383	513	421	934
Within 2 to 5 years	550	1,551	2,101	515	1,582	2,097
- over 5 years	346	539	885	422	614	1,036
	1,152	2,217	3,369	1,450	2,617	4,067

21 Related party transactions

The company has taken advantage of the exemptions available to it under Financial Reporting Standard 8 "Related party transactions", not to disclose any transactions or balances with entities that are part of the Parcels Holdings Group.

22 Immediate and ultimate parent undertakings

The company's immediate parent undertaking is Amtrak Holdings Limited, a company incorporated in Great Britain.

The company's ultimate parent undertaking is Parcels Holdings Limited, a company incorporated in Great Britain, which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the accounts can be obtained from Parcels Holdings Limited, Company House, Tower Hill, Bristol, BS2 0AZ.

Substantial shareholdings in the ultimate parent undertaking

Of the equity shares of Parcels Holdings Limited in issue at the period end 38.8% (2002: 49.3%) are held by 3i Nominees Limited, (on behalf of 3i Group plc), 11.6% (2002: 14.8%) by 3i PVLP Nominees Limited and 27.1% (2002: 34.5%) by 3i UKIP II Nominees Limited (the last two holding shares on behalf of limited partnerships, comprising non 3i partners). These limited partnerships are managed by 3i plc, itself a wholly owned subsidiary of the 3i Group. The directors consider that these investments are held in the normal course of the 3i Group's business of providing finance. In addition, 22.5% (2002 : nil) of the equity shares are held by Royal Bank of Scotland and Nominees.