

Marine Safety Services Limited

Directors' report and financial statements

31 December 1998

Registered number 261614



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The company provides professional consultancy services to the shipping industry in the field of marine safety.

Business review

The results of the company are set out on page 5. The directors consider the company to have traded successfully during the year and expect this trend to continue.

Dividends

A dividend of £174,418 (1997: £123,310) was paid during the year. The retained deficit for the year is £79,238 (1997: profit £53,018).

Year 2000

We have identified the risks and uncertainties posed by the Year 2000 issue. A program has been introduced and procedures followed to address this issue.

Specific costs could not be identified as costs incurred have been part of the ongoing program of upgrading and enhancing our IT systems.

Directors and directors' interests

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

| | |
|--------------|------------|
| GB Standring | (Chairman) |
| CJ Winkley | |
| PDN Mellis | |
| RW Crone | |

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of the company.

The directors who held office at the end of the financial year had the following interests in the deferred stock of The Peninsular and Oriental Steam Navigation Company, the company's ultimate parent undertaking:

| | 31 December 1998 | 1 January 1998 |
|--------------|---------------------|-------------------|
| GB Standring | 2,383 | 2,458 |
| CJ Winkley | 2,912 | 2,575 |
| PDN Mellis | 547 | 539 |
| RW Crone | 1,247 | 1,127 |
| | <hr/> | <hr/> |

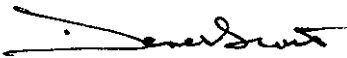
No director had any material interest in any significant contract with the company during the year.

Directors' report *(continued)*

Auditors

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

By order of the board



Derek Scott
Secretary

12-20 Camomile Street
London
EC3A 7AS

19 MAY 1999

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 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB

Auditors' to the members of Marine Safety Services Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 affairs of the company as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

7 June 1999

Profit and loss account

for the year ended 31 December 1998

| | <i>Note</i> | 1998 £ | 1997 £ |
|--|-------------|---------------------|---------------------|
| Turnover | 2 | 795,096 | 1,179,119 |
| Cost of sales | | (475,566) | (696,031) |
| Gross profit | | <hr/> 319,530 | <hr/> 483,088 |
| Administrative expenses | | (216,298) | (250,159) |
| Operating profit | | <hr/> 103,232 | <hr/> 232,929 |
| Other interest receivable and similar income | 6 | 34,897 | 31,259 |
| Profit on ordinary activities before taxation | 3 | <hr/> 138,129 | <hr/> 264,188 |
| Tax on profit on ordinary activities | 7 | (42,949) | (87,770) |
| Profit on ordinary activities after taxation | | <hr/> 95,180 | <hr/> 176,418 |
| Dividends paid and proposed | | (174,418) | (123,310) |
| Retained (loss)/profit for the financial year | | <hr/> (79,238) | <hr/> 53,108 |
| Retained profit brought forward | | 291,121 | 238,013 |
| Accumulated profit carried forward | | <hr/> <hr/> 211,883 | <hr/> <hr/> 291,121 |

There is no difference between the result as disclosed above and the result on an unmodified historical cost basis. A statement of recognised gains and losses has not been prepared as all recognised gains and losses are included within the above profit and loss account.

No operations were acquired or discontinued during the year.

Balance sheet

at 31 December 1998

| | Note | 1998 | 1997 |
|--|------|----------------|----------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 8 | 23,035 | 11,559 |
| Current assets | | | |
| Stocks | 9 | - | 8,547 |
| Debtors | 10 | 108,365 | 160,716 |
| Cash at bank and in hand | | 403,211 | 525,490 |
| | | <u>511,576</u> | <u>694,753</u> |
| Creditors: amounts falling due within one year | 11 | (71,728) | (164,191) |
| Net current assets | | <u>439,848</u> | <u>530,562</u> |
| Total assets less current liabilities | | <u>462,883</u> | <u>542,121</u> |
| Creditors: amounts falling due after more than one year | 12 | (250,000) | (250,000) |
| Net assets | | <u>212,883</u> | <u>292,121</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 1,000 | 1,000 |
| Profit and loss account | | 211,883 | 291,121 |
| Shareholders' funds - equity | | <u>212,883</u> | <u>292,121</u> |

The financial statements were approved by the board of directors on 19 May 1999 and were signed on its behalf by:



GB Standring
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.

Basis of preparation

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

Fixed assets

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 using the following rates:

| | | |
|---------------------|---|---------|
| Motor vehicles | - | 25% |
| Plant and machinery | - | 33 1/3% |

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included within the profit and loss account.

Turnover

Turnover represents the value of contract work completed during the year, excluding value added tax.

Work in progress

Work in progress is valued at the lower of cost, including an appropriate element of overheads, and net realisable value.

Cash flow statement

Under Financial Reporting Standard 1 (Revised), the company has taken advantage of the exemption from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability or asset will crystallise.

Notes (continued)

1 Accounting policies (continued)

Related party transactions

As a wholly owned subsidiary of the Peninsular and Oriental Steam Navigation Company, the company has taken advantage of the exemption in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Pension costs

The company contributes to a group defined benefit scheme calculated as a percentage of the pensionable salaries to the employees. The cost of providing defined benefit pensions is charged to the profit and loss account on a systematic basis over the periods benefiting from the service of employees.

2 Turnover

As a wholly owned subsidiary of a parent who provides complete segmental analysis, Marine Safety Services Limited have applied the exemption as provided by SSAP 25.

3 Profit on ordinary activities before taxation

| | 1998 £ | 1997 £ |
|--|-----------|-----------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i> | | |
| Auditors' remuneration: | | |
| Audit | 1,704 | 1,656 |
| Other | - | 875 |
| Loss on sale of fixed assets | 6,270 | - |
| Depreciation | 8,185 | 6,986 |
| Exchange loss | 4,675 | 3,638 |
| | <hr/> | <hr/> |

Notes (continued)

4 Remuneration of directors

| | 1998 £ | 1997 £ |
|---|---------------------|---------------|
| Directors' emoluments | 68,422 | 70,075 |
| | <u>68,422</u> | <u>70,075</u> |
| | Number of directors | |
| | 1998 | 1997 |
| Retirement benefits are accruing to the following directors under defined benefit schemes | 4 | 4 |
| | <u>4</u> | <u>4</u> |
| The number of directors who exercised share options was | - | 1 |
| | <u>-</u> | <u>1</u> |

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year were as follows:

| | Number of employees | |
|----------------------------------|---------------------|----------|
| | 1998 | 1997 |
| Shore staff employed in the U.K. | 9 | 9 |
| | <u>9</u> | <u>9</u> |

The aggregate payroll costs of these persons were as follows:

| | 1998 £ | 1997 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 256,641 | 240,849 |
| Social security costs | 21,681 | 18,955 |
| Other pension costs | 22,060 | 20,421 |
| | <u>300,382</u> | <u>280,225</u> |

Notes (continued)

6 Other interest receivable and similar income

| | 1998 £ | 1997 £ |
|--------------------------------------|---------------|---------------|
| Receivable from bank deposit account | 34,897 | 31,259 |
| | <u>34,897</u> | <u>31,259</u> |

7 Taxation

| | 1998 £ | 1997 £ |
|--|---------------|---------------|
| UK corporation tax at 31% (1997:31.5%) on the profit for the year on ordinary activities | 41,137 | 87,770 |
| Adjustment relating to an earlier year | 1,812 | - |
| | <u>42,949</u> | <u>87,770</u> |

8 Tangible fixed assets

| | Motor vehicles £ | Plant and machinery £ | Total £ |
|-----------------------|------------------------|-----------------------------|---------------|
| Cost | | | |
| At beginning of year | 17,442 | 17,237 | 34,679 |
| Additions | 22,573 | 1,318 | 23,891 |
| Disposals | (17,442) | - | (17,442) |
| | <u>22,573</u> | <u>18,555</u> | <u>41,128</u> |
| At end of year | 22,573 | 18,555 | 41,128 |
| Depreciation | | | |
| At beginning of year | 11,744 | 11,376 | 23,120 |
| Charge for year | 5,707 | 2,478 | 8,185 |
| Disposals | (13,212) | - | (13,212) |
| | <u>4,239</u> | <u>13,854</u> | <u>18,093</u> |
| At end of year | 4,239 | 13,854 | 18,093 |
| Net book value | | | |
| At 31 December 1998 | <u>18,334</u> | <u>4,701</u> | <u>23,035</u> |
| At 31 December 1997 | <u>5,698</u> | <u>5,861</u> | <u>11,559</u> |

Notes (continued)

9 Stocks

| | 1998 £ | 1997 £ |
|------------------|-------------------|-------------------|
| Work in progress | - | 8,547 |
| | <u> </u> | <u> </u> |

10 Debtors

| | 1998 £ | 1997 £ |
|--|-------------------|-------------------|
| Trade debtors | 92,935 | 142,250 |
| Amount owed by parent and fellow subsidiary undertakings | 3,594 | - |
| Other debtors | 8,823 | 16,314 |
| Prepayments and accrued income | 3,013 | 2,152 |
| | <u> </u> | <u> </u> |
| | <u>108,365</u> | <u>160,716</u> |

11 Creditors: amounts falling due within one year

| | 1998 £ | 1997 £ |
|---|-------------------|-------------------|
| Trade creditors | 8,517 | 7,666 |
| Amounts owed to parent and fellow subsidiary undertakings | - | 25,955 |
| Corporation tax | 41,137 | 87,770 |
| Accruals and deferred income | 22,074 | 42,800 |
| | <u> </u> | <u> </u> |
| | <u>71,728</u> | <u>164,191</u> |

Notes (continued)

12 Creditors: amounts falling due after more than one year

| | 1998 £ | 1997 £ |
|------------------------------------|----------------|----------------|
| Amounts owed to group undertakings | 250,000 | 250,000 |
| | <u>250,000</u> | <u>250,000</u> |

This amount represents a long-term, interest-free funding loan from the ultimate parent company with no specific repayment date. The holding company has stated that it does not intend to call in the loan within the next year.

13 Called up share capital

| | 1998 £ | 1997 £ |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 each | 1,000 | 1,000 |
| | <u>1,000</u> | <u>1,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | 1,000 | 1,000 |
| | <u>1,000</u> | <u>1,000</u> |

14 Pension scheme

The holding company, The Peninsular and Oriental Steam Navigation Company, operates a funded defined benefit pension scheme which covers the majority of its employees. The contributions by the company are calculated with actuarial advice to cover the accruing liabilities on a continuing basis. Actuarial valuations are carried out triennially. The last valuation was carried out during March 1998, details of which are included within the holding company's financial statements.

15 Ultimate parent company

The ultimate parent company is The Peninsular and Oriental Steam Navigation Company which is incorporated in Great Britain by Royal Charter and registered in England and Wales.

Copies of the accounts of the holding company can be obtained from:

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF4 3H2