

PANDORO LIMITED

444786

COMPANIES HOUSE

REGISTERED NUMBER 444786 (ENGLAND)

24 AUG 1991

M DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1990

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KPMG Peat Marwick McLintock,
Edward VII Quay,
Navigation Way,
Ashton-on-Ribble,
PRESTON
PR2 2YF

KPMG Peat Marwick McLintock

PANDORO LIMITED

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DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 31 December 1990.

BUSINESS REVIEW

The results for the year reflect the measures taken during 1989 in relation to major cost areas and growing customer confidence in the continuity of the company's freight services. Volume growth has been maintained with a wider geographical spread of services and the further integration of Transcontinental (Rosslare) Limited has contributed to the overall sound performance in a difficult market place.

PRINCIPAL ACTIVITY

The principal activity of the company is the operation of a roll-on, roll-off shipping service between Great Britain and Ireland and related transport.

PROPOSED DIVIDEND

The directors do not propose to recommend the payment of a dividend for the year.

PROPOSED TRANSFERS TO RESERVES

	<u>1990</u> £000	<u>1989</u> £000
Turnover	£58,405	£51,208
Profit/(Loss) on ordinary activities before taxation	697	(3,046)
Taxation	(5,125)	1,034
Profit/(loss) on ordinary activities after taxation	(4,428)	(2,012)
Retained (loss)/profit brought forward	(388)	1,624
Movement on reserves	131	-
Retained profit carried forward	£ (4,685)	£ (388)

SIGNIFICANT CHANGES IN FIXED ASSETS

The movement in tangible fixed assets is set out in note 8 of the accounts.

DIRECTORS' REPORT
(Continued)

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company who served during the year and their interests (all of which are beneficial) in the share capital of the company's ultimate parent company are set out below. None of the directors had any interests in the share capital of the company.

The Peninsular and Oriental
Steam Navigation Company

	<u>Deferred Ordinary</u> <u>Shares of £1 each</u>		<u>Subscription Warrants</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
J H Paton (Chairman)	8,248	7,672	234	234
G H Ruff (resigned 6 April 1990)	6,371	5,981	173	173
A J B Crean (Managing Director)	8,825	8,393	367	367
J H Kearsley	2,773	2,408	25	25
M N Taylor	1,826	750	20	20
P Donnelly	865	616	17	17
M P Forrest	752	493	-	-
M Charles	9,441	9,125	359	359
A D Barrett (appointed 17 April 1990)	4,324	3,935	224	-

EMPLOYEES

Contacts are maintained with Disablement Resettlement Officers with a view to ensuring full and fair consideration for any disabled applicant for employment. The company endeavours to retain any existing employee who may become disabled, providing specialised training where appropriate. If modified or additional facilities are needed for a disabled employee, all reasonable steps are taken to provide them.

The company recognises the need to keep employees informed and encourage identification with their employer. The company publishes a newsletter to maintain regular contact with employees at all locations. Induction training courses allow new employees to become familiar with the structure of the company and its procedures very shortly after taking up employment. Regular meetings are held with employees or their representatives and appropriate information on company targets and performance is made available.

Teach-ins with display material covering company history and performance are held annually.

PANDORO LIMITED

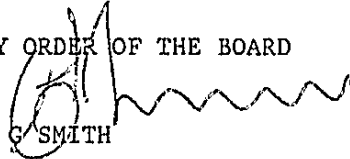
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DIRECTORS' REPORT
(Continued)

AUDITORS

In accordance with Section 385 of the Companies Act, 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


C G SMITH

SECRETARY

Station House,
Altrincham,
CHESHIRE
WA14 1ER

23 March 1991

REPORT OF THE AUDITORS. KPMG PEAT MARWICK McLINTOCK
TO THE MEMBERS OF PANDORO LIMITED

We have audited the accounts on pages 5 to 16 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31 December 1990 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Without qualifying our opinion above, we draw attention to the fact that the financial statements do not include a statement of source and application of funds and thus do not comply with Statement of Standard Accounting Practice No. 10.

KPMG Peat Marwick McLintock
CHARTERED ACCOUNTANTS

Preston

23 March 1991

PANDORO LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>Note</u>	<u>1990</u> £000	<u>1989</u> £000
TURNOVER	2	58,405	51,208
Cost of sales		(49,178)	(46,890)
		<hr/>	<hr/>
GROSS PROFIT		9,227	4,318
Administrative expenses		(6,400)	(5,678)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)		2,827	(1,360)
Interest payable and similar charges	6	(2,130)	(1,686)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	697	(3,046)
Tax on profit/(loss) on ordinary activities	7	(5,125))	1,034
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(4,428)	(2,012)
RETAINED (LOSS)/PROFIT BROUGHT FORWARD		(388)	1,624
TRANSFER FROM REVALUATION RESERVE	17	131	-
		<hr/>	<hr/>
RETAINED LOSS CARRIED FORWARD		£ (4,685)	£ (388)
		<hr/>	<hr/>

The notes on pages 7 to 16 form part of these accounts.

PANDORO LIMITED

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BALANCE SHEET AT 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
		£000	£000
FIXED ASSETS			
Tangible assets	8	25,386	11,769
Investments	9	87	334
CURRENT ASSETS			
Stocks	10	1,201	408
Debtors	11	12,511	10,656
Cash in hand		270	27
		<hr/>	<hr/>
		13,982	11,091
CREDITORS: Amounts falling due within one year	12	(12,875)	(12,039)
		<hr/>	<hr/>
NET CURRENT ASSETS/ (LIABILITIES)		1,107	(948)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,580	11,155
CREDITORS: Amounts falling due after more than one year	13	(10,350)	(9,592)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(6,317)	(1,630)
		<hr/>	<hr/>
		£ 9,913	£ (67)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Revaluation reserve	17	14,598	321
Profit and loss account		(4,685)	(388)
		<hr/>	<hr/>
		£ 9,913	£ (67)
		<hr/>	<hr/>

These accounts were approved by the board of directors on 23 March 1991.


P. Donnelly

Directors


J. H. Kearsley

The notes on pages 7 to 16 form part of these accounts.

NOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES

The principal accounting policies that have been adopted in the preparation of these accounts are given below :

a) Basis of Preparation of Accounts

The accounts are prepared on the historical cost basis, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

b) Properties

Properties are included in the accounts at their latest valuations plus subsequent additions at cost. The properties are valued triennially by the group chief surveyor.

No charge for amortisation is made in respect of freehold or leasehold property with an unexpired lease of greater than 21 years. The book value of leasehold property with less than 21 years to the termination of the lease is written off over the remainder of the period on a straight line basis.

c) Leased Assets

Where assets are acquired by leasing arrangements which give rights approximating to ownership ("finance leases") the amount representing the outright purchase price of such assets (less government grants) is included in tangible fixed assets. Depreciation is provided at rates designed to write off this net cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) or the period of the lease.

The capital element of future rentals is treated as a liability and the interest element is charged to profit and loss account over the period of the leases in proportion to the balances outstanding.

Expenditure on leases other than finance leases ("operating leases") is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally corresponding to the basis on which rentals accrue.

d) Depreciation

Depreciation is calculated on a straight line basis over the expected useful life, up to 20 years, of each asset concerned.

NOTES TO THE ACCOUNTS
(Continued)

1. ACCOUNTING POLICIES (Continued)

e) Stocks and Work in Progress

Stocks are valued at the lower of cost and net realisable value using the first in, first out method.

f) Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated into Sterling at the exchange rates ruling on the balance sheet date.

g) Deferred Taxation

Deferred taxation is provided on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that the reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future. No provision is made for deferred taxation which might arise if properties were to be realised at their book values at the balance sheet date or if profits of overseas subsidiaries were to be distributed.

h) Pension Schemes

Pension scheme contributions are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the period benefiting from the services of employees.

2. TURNOVER

Turnover represents the amounts invoiced by the company in respect of services provided during the year, excluding value added tax.

Turnover in respect of the provision of transport services is analysed by geographical area below:

	<u>1990</u> £000	<u>1989</u> £000
United Kingdom	41,241	37,381
Continental Europe	17,164	13,827
	<hr/>	<hr/>
	£58,405	£51,208
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PANDORO LIMITED

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NOTES TO THE ACCOUNTS
(Continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following :-

	<u>1990</u> £000	<u>1989</u> £000
Depreciation and other amounts written off tangible fixed assets	2,355	2,279
Auditors' remuneration and expenses	14	13
Directors' emoluments: remuneration as executives	193	148
Directors' pension contribution	3	1
Hire of plant and machinery - rentals payable under operating leases	639	730
Hire of other assets	117	6,427
	<hr/>	<hr/>

4. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

The Chairman, Managing Director, Mr G H Ruff (until resignation), Mr M Charles and Mr A Barrett are remunerated by POETS Limited, another company in the P & O Group, without specific recharge and accordingly, none of their emoluments are included in the amounts disclosed below.

Excluding pension contributions, the emoluments of the highest paid director were £58,047 (1989: £44,665); the emoluments of all directors were within the following ranges:

	<u>1990</u>	<u>1989</u>
£Nil - £ 5,000	5	5
£30,001 - £35,000	-	2
£40,001 - £45,000	2	2
£50,001 - £55,000	1	-
£55,001 - £60,000	1	-

The emoluments of employees earning in excess of £30,000 were within the following ranges:

	<u>1990</u>	<u>1989</u>
£30,000 - £35,000	2	3
£35,001 - £40,000	6	-
£40,001 - £45,000	1	-
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NOTES TO THE ACCOUNTS

(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 :-

	<u>1990</u>	<u>1989</u>
Administration	285	282
Other	336	358
	<u>621</u>	<u>640</u>

The aggregate payroll costs of these persons were as follows :-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Wages and salaries	9,626	9,046
Social security costs	740	703
Other pension costs	158	109
	<u>£ 10,524</u>	<u>£9,858</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
On bank overdraft	610	384
On inter-group loans repayable within five years, not by instalments	1,492	1,234
Finance charges payable in respect of finance leases and hire purchase contracts	28	68
	<u>£ 2,130</u>	<u>£1,686</u>

7. TAXATION

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Taxation charge/(credit) on profit on ordinary activities is as follows :-		
UK Corporation tax at 35% (1989: 35%)	435	(1,119)
Deferred taxation (note 15)	4,627	85
Prior year adjustments	3	-
	<u>£ 5,125</u>	<u>£(1,034)</u>

NOTES TO THE ACCOUNTS
(Continued)

8. TANGIBLE FIXED ASSETS

	<u>Properties</u>			<u>Fixtures, Fittings, Tools and Equipment</u>	<u>Owned Plant and Machinery</u>	<u>Leased Plant and Machinery</u>	<u>Total</u>
	<u>Freehold</u>	<u>Short Leasehold</u>	<u>Ships</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or Valuation:							
At 1 January							
1990	1,969	1,136	-	975	11,965	8,324	24,369
Reclassification	-	-	-	63	(63)	-	-
Additions	19	15	55	457	1,036	-	1,582
Disposals	(171)	-	-	(121)	(1,198)	(1,054)	(2,544)
Intra group transfer	-	-	27,878	-	-	-	27,878
At 31 December							
1990	£ 1,817	£ 1,151	£ 27,933	£ 1,374	£ 11,740	£ 7,270	£ 51,285
Depreciation and amortisation:							
At 1 January							
1990	-	344	-	586	5,346	6,324	12,600
Reclassification	-	-	-	30	(30)	-	-
Charged in year	-	32	135	156	1,564	468	2,355
Disposals	-	-	-	(107)	(1,041)	(978)	(2,126)
Intra group transfer	-	-	13,070	-	-	-	13,070
At 31 December							
1990	£ -	£ 376	£ 13,205	£ 665	£ 5,839	£ 5,814	£ 25,899
Net Book Value:							
At 31 December,							
1990	£ 1,817	£ 775	£ 14,728	£ 709	£ 5,901	£ 1,456	£ 25,386
At 1 January							
1990	£ 1,969	£ 792	£ -	£ 389	£ 6,619	£ 2,000	£ 11,769

The analysis of properties included above at 31 December 1990 is as follows:-

	<u>Valuation</u>	<u>Cost</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Freehold	965	852	1,817
Short leasehold	-	1,151	1,151
	<u>£ 965</u>	<u>£ 2,003</u>	<u>£ 2,968</u>

The historical cost of freehold properties is £1,709,000 (1989: £1,861,000).

PANDORO LIMITED

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NOTES TO THE ACCOUNTS
(Continued)

8. TANGIBLE FIXED ASSETS - continued

The ships were transferred from a fellow subsidiary company, POETS (Fleet Management) Limited during the year.

9. INVESTMENTS

	<u>1990</u> £000	<u>1989</u> £000
Shares in subsidiary company	87	87
Other investment	-	247
	<hr/>	<hr/>
	£ 87	£ 334
	<hr/>	<hr/>

10. STOCKS

	<u>1990</u> £000	<u>1989</u> £000
Raw materials and consumables	£ 1,201	£ 408
	<hr/>	<hr/>

11. DEBTORS

	<u>1990</u> £000	<u>1989</u> £000
Trade debtors	10,455	9,335
Amounts owed by group companies:		
Subsidiary company	1,238	712
Prepayments and accrued income	818	609
	<hr/>	<hr/>
	£ 12,511	£ 10,656
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
(Continued)

12. CREDITORS: Amounts falling due within one year

	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Bank loans and overdrafts	2,448	3,744
Trade creditors	3,556	3,146
Obligations under finance leases and hire purchase contracts (see note 14)	121	319
Amounts owed to group companies:		
Parent and fellow subsidiary companies	1,104	76
Other creditors including taxation and social security	754	744
Accruals and deferred income	4,457	4,010
Corporation tax	435	-
	<u>£ 12,875</u>	<u>£ 12,039</u>

13. CREDITORS: Amounts falling due after more than one year

	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Bank loans and overdrafts	2,166	-
Obligations under finance leases and hire purchase contracts (see note 14)	-	121
Amounts owed to group companies:		
Parent and fellow subsidiary companies	8,184	9,471
	<u>£ 10,350</u>	<u>£ 9,592</u>

Included within bank loans and overdrafts is a loan in respect of one of the company's ships. The loan is secured on the ship to which it relates, the M V Buffalo. The amount outstanding at 31 December 1990 was £2,599,008 of which £433,168 is repayable within one year and £433,168 is repayable after more than five years. Interest accrues at the rate of 7.5%. Other bank loans and overdrafts are unsecured and interest varies with normal commercial rates.

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of obligations under finance leases and hire purchase contracts is as follows :-

	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Within one year	121	319
Over one year:		
In the second to fifth years inclusive	-	121
	<u>£ 121</u>	<u>£ 440</u>

PANDORO LIMITED

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NOTES TO THE ACCOUNTS
(continued)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Balance at 31 December 1989	1,630	1,545
(Release)/charge to Profit and Loss account	(95)	85
Exceptional charge	4,782	-
	<hr/>	<hr/>
	£ 6,317	£ 1,630
	<hr/>	<hr/>

The exceptional charge is in respect of deferred tax provided on the revaluation of the ships transferred from a fellow subsidiary company.

The amounts provided and unprovided for deferred taxation are set out below:

	<u>1990</u>		<u>1989</u>	
	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Difference between accumulated depreciation and amortisation and capital allowances	-	5,850	-	1,084
Leased assets	-	467	-	546
	<hr/>	<hr/>	<hr/>	<hr/>
	£ Nil	£ 6,317	£ Nil	£ 1,630
	<hr/>	<hr/>	<hr/>	<hr/>

No provision is made for the taxation effect of the revaluation of land and buildings as, in the opinion of the directors, such liability is unlikely to crystallise.

16. SHARE CAPITAL

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Authorised, allotted and called up and fully paid:		
100 ordinary shares of £1 each	£ 100	£ 100
	<hr/>	<hr/>

17. REVALUATION RESERVE

	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Surplus on revaluation of properties	321	321
On transfer of ships	14,408	-
Transfer to Revenue Reserves	(131)	-
	<hr/>	<hr/>
	£ 14,598	£ 321
	<hr/>	<hr/>

A transfer to revenue reserves has been made in respect of the effect of revaluation on the current years depreciation charge.

NOTES TO THE ACCOUNTS
(Continued)

18. COMMITMENTS

- a) Capital commitments at 31 December 1990 for which no provision has been made in these accounts, were as follows:

	<u>1990</u> £000	<u>1989</u> £000
Contracted	£ 231	£ 207

- b) At 31 December 1990 the company had annual commitments under non-cancellable operating leases as follows :-

	<u>1990</u>		<u>1989</u>	
	<u>Land and Buildings</u> £000	<u>Other</u> £000	<u>Land and Buildings</u> £000	<u>Other</u> £000
Operating leases which expire:				
Within one year	-	-	-	113
Between two and five years inclusive	22	250	22	-
Over five years	134	-	134	-
	<u>£ 156</u>	<u>£ 250</u>	<u>£ 156</u>	<u>£ 113</u>

Leases of land and buildings are subject to rent reviews at intervals of seven years.

19. CONTINGENCIES

The company is contingently liable to its bankers in respect of guarantees and indemnities to third parties amounting to £2,745,697 (1989: £2,745,000).

20. SUBSIDIARY COMPANY

The company has a wholly owned subsidiary company, Transcontinental (Rosslare) Limited, a company incorporated in England and Wales which provides transport services.

The company is exempt under Section 228, Companies Act 1985 from the requirement to prepare group accounts.

NOTES TO THE ACCOUNTS
(Continued)

21. PENSIONS

The company participates in the main P & O pension scheme, which is of the defined benefit type with assets held in a separate trustee administered fund.

The total pension cost for the company during the year was £158,000 (1989: £109,000).

Formal actuarial valuations of the main P & O scheme are carried out triennially by R Watson & Sons, consulting actuaries, the latest being as at 1 April 1988. Particulars of the latest actuarial valuation are contained in the accounts of the Peninsular and Oriental Steam Navigation Company.

22. COMPARATIVE FIGURES

The comparatives for inter group debtors and creditors have been reanalysed in order to enable distinction between parent and fellow subsidiary companies, and subsidiary company. Debtors and creditors due within one year have increased by £76,000 due to this restatement.

23. ULTIMATE PARENT COMPANY

The ultimate parent company is The Peninsular and Oriental Steam Navigation Company which is incorporated in England and Wales.

Copies of the accounts of the above company are available from the following address:

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