

Pandoro Limited

**Directors' report and financial
statements**

Registered number 444786

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

On 1 January 1999 the business and net assets were sold to P&O Ferrymasters Limited at net asset value. Since that date the company has not traded. The loss on disposal relates to the write off of goodwill previously written off to reserves.

Year 2000

During 1998 the company had an active programme in place for dealing with any issues with computer systems and embedded chips in relation to the Year 2000. This programme has continued post transfer of the remaining business to P&O Ferrymasters. The programme involves identifying where modifications may be necessary within systems developed and maintained by the company, making similar identification and subsequent monitoring of systems and equipment supplied to the company and testing the results of any modifications. Where necessary normal upgrading work is being accelerated to ensure all systems are Year 2000 compliant.

The costs that are expected to be incurred in assessing, testing and replacing the company's systems where necessary are included within that disclosed in the accounts of P&O Ferrymasters Limited.

Dividend

The directors do not recommend the payment of a dividend. (1998: £Nil).

Directors and directors' interests

The directors who held office during the year were:-

JJ Barr	(resigned 4 October 1999)
J Bradshaw	(appointed 4 October 1999)
P Donnelly	(resigned 20 September 1999)
JH Kearsley	(resigned 28 September 1999)
CJ Rice	

The directors who held office at the end of the 1999 financial year had the following interests (all of which are beneficial) in the share capital of the company's ultimate parent company. None of the directors had any interests in the share capital of the company.

	Deferred ordinary shares of £1 each		Executive options		SAYE options	
	1999	1998	Granted	Exercised	Granted	Exercised
J Bradshaw	1,285	-	4,900		-	-
CJ Rice	79	1,566	-	14,600	-	-

The options are generally exercisable not later than December 2004 at prices between 305p and 717p.

Directors' report *(continued)*

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.

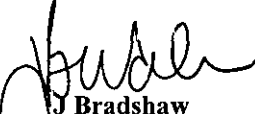
The company recognises the need to keep employees informed and encourages identification with their employer. The company publishes a newsletter to maintain regular contact with employees at all locations. Induction training courses allow new employees to become familiar with the structure of the company 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.

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



J Bradshaw
Director

Peninsular House
11-13 Lower Brook Street
Ipswich
IP4 1AQ

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;
- 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 maintaining 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 responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the company and detect fraud and other irregularities.



KPMG Audit Plc

6 Lower Brook Street
Ipswich
Suffolk IP4 1AP
United Kingdom

Auditors' report to the members of Pandoro Limited

We have audited the financial statements on pages 5 to 17.

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 by 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. 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 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 December 1999 and of its loss 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

30.10.00

Profit and loss account

for the year ended 31 December 1999

	Note	1999 £000 Discontinued	1998 £000 Discontinued
Turnover	2	-	56,387
Cost of sales		-	(49,920)
		<hr/>	<hr/>
Gross profit		-	6,467
Administrative expenses		-	(7,802)
		<hr/>	<hr/>
Operating (loss)/profit		-	(1,335)
Loss on disposal of business		(200)	-
Interest receivable and similar income	6	-	578
Interest payable and similar charges	7	-	(2,271)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(200)	(3,028)
Tax on loss on ordinary activities	8	-	83
		<hr/>	<hr/>
Loss on ordinary activities after taxation for the financial year		(200)	(2,945)
Dividends		-	-
		<hr/>	<hr/>
Retained loss for the financial year		(200)	(2,945)
		<hr/>	<hr/>

The results above are derived entirely from discontinued operations.

The company had no recognised gains or losses in the financial year or preceding year other than those dealt with in the profit and loss account.

Note of historical cost profits and losses

for the year ended 31 December 1999

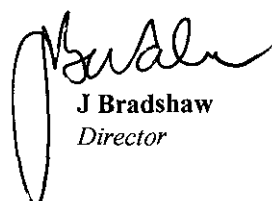
	1999 £000	1998 £000
Reported loss on ordinary activities before taxation	(200)	(3,028)
Realisation of property revaluation gains of previous years	459	6,116
Difference between a historical cost depreciation charge and actual depreciation charge of the year calculated on the revalued amount	-	-
Historical cost profit/(loss) on ordinary activities before taxation	<u>259</u>	<u>3,088</u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u>259</u>	<u>3,171</u>

Balance sheet

at 31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	9	-	13,814
Investments	10	-	1,259
			<hr/>
		-	15,073
Current assets			
Stocks	11	-	146
Debtors	12	7,891	54,439
Cash at bank and in hand		-	29
		<hr/>	<hr/>
		7,891	54,614
Creditors: amounts falling due within one year	13	-	(59,783)
		<hr/>	<hr/>
Net current assets		7,891	(5,169)
		<hr/>	<hr/>
Total assets less current liabilities		7,891	9,904
			<hr/>
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	14	-	(2,013)
		<hr/>	<hr/>
Net assets		7,891	7,891
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	3,000	3,000
Revaluation reserve	16	-	459
Profit and loss account	16	4,891	4,432
		<hr/>	<hr/>
Equity shareholder's funds	16	7,891	7,891
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30.10.00 and were signed on its behalf by:


J Bradshaw
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, except as noted below, 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 modified to include the revaluation of certain fixed assets.

Exemption from preparation of cash flow statement and group accounts

The results of the company are included in the consolidated accounts of The Peninsular and Oriental Steam Navigation Company, a company incorporated in Great Britain and registered in England and Wales. Accordingly, in accordance with Financial Reporting Standard 1 (revised) a cash flow statement for the company has not been prepared.

The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and deliver them to the Registrar of Companies.

The financial statements present information about the undertaking as an individual company and not about its group.

Fixed assets and depreciation

Properties are included in fixed assets at their latest valuations plus subsequent additions at cost, and surpluses and deficits are included in the revaluation reserve. Properties are revalued triennially by the Chief Surveyor of The Peninsular and Oriental Steam Navigation company, the company's ultimate parent company. Profits and losses on sale of these properties are calculated by reference to their net carrying amounts.

In accordance with the ultimate parent company's policy, depreciation or amortisation is not provided in respect of freehold or long leasehold properties. This treatment may be a departure from the Companies Act 1985 concerning the depreciation of fixed assets in respect of certain of these properties. However such properties are not held for consumption but for investment and the directors consider systematic annual depreciation would be inappropriate and that this policy is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

In the case of freehold and long leasehold properties annual depreciation or amortisation (using residual values estimated at the time the properties were acquired or at the time of a later revaluation) would not be material in these accounts and hence no depreciation or amortisation is provided.

The book value of leasehold properties with less than twenty one years to the termination of the lease is written off over the remainder of the lease period on a straight line basis.

Provision for any permanent diminution in value of properties held as fixed assets is made in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation (continued)

Depreciation is provided on all other assets to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives up to 30 years.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using the year end exchange rates. The exchange differences are taken to the profit and loss account.

Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred.

Pension costs

The company participated in the P&O Pension Scheme ("the Scheme") operated by the Group of which it is a member. This is the main scheme for the provision of pensions and related benefits to the Group's employees in the UK. Membership of the Scheme is voluntary. Benefits are based on final salary, and the amounts of pensions in payment and deferred pensions are reviewed every year. The date from which a pension is payable is normally a member's 63rd birthday for both male and female members. Members contribute to the Scheme, but the balance of the cost of providing the benefits to members is borne by the participating employers who pay contributions at rates determined by independent actuaries in the light of regular valuations. The assets of the Scheme, which are completely separate from the Group's finances, are managed on behalf of the trustee by independent fund managers under arrangements which include provisions for custody.

The company also participates in the P&O Irish Pension Scheme which is operated by the Group to comply with local employment conditions and practices.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on items dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that the reduction or increase in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

Related party transactions

The company's ultimate controlling party is considered by the directors to be The Peninsular and Oriental Steam Navigation Company. The directors have taken advantage of the exemption in Financial Reporting Standard 8 paragraph 3(c) and have not disclosed related party transactions with parent, fellow subsidiary and subsidiary undertakings.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of services to third parties.

Notes (continued)

2 Analysis of turnover

	1999 £000	1998 £000
<i>By destination</i>		
United Kingdom and Ireland	-	56,387
Continental Europe	-	-
	<hr/>	<hr/>
	-	56,387
	<hr/>	<hr/>

3 Loss on ordinary activities before taxation

	1999 £000	1998 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration and expenses:		
Audit	-	4
Non audit work	-	-
Non audit work - other offices	-	-
Depreciation and other amounts written off owned tangible fixed assets	-	2,335
Hire of plant and machinery - rentals payable under operating leases	-	47
Hire of ships - rentals payable under operating leases	-	-
Exceptional costs	-	-
	<hr/>	<hr/>

4 Remuneration of directors

	1999 £000	1998 £000
Directors' emoluments:		
As directors	-	-
Company contributions to defined benefit schemes	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Details of directors' share options are set out in the directors' report on page 1.

Mr JN Kearsley and Mr P Donnelly were paid by P&O European Ferries (Irish Sea) Ltd; Mr J Barr and Mr J Bradshaw were paid by P&O Ferrymasters Ltd and Mr CJ Rice was paid by P&O Trans European (Holdings) Ltd without specific recharge. Their emoluments are disclosed in the accounts of these companies.

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	
	1999	1998
Administrative	-	231
Other	-	247
	<hr/>	<hr/>
	-	478
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£000	£000
Wages and salaries	-	9,536
Social security costs	-	793
Other pension costs (see note 19)	-	671
	<hr/>	<hr/>
	-	11,000
	<hr/>	<hr/>

6 Interest receivable and similar income

	1999	1998
	£000	£000
Interest receivable and similar income	-	578
	<hr/>	<hr/>

7 Interest payable and similar income

	1999	1998
	£000	£000
On bank loans and overdrafts	-	-
Loans from group undertakings	-	2,271
	<hr/>	<hr/>
	-	2,271
	<hr/>	<hr/>

Notes (continued)

8 Taxation

	1999 £000	1998 £000
UK corporation tax (1998: 31%) on the profit for the year on ordinary activities	-	(716)
Deferred taxation (see note 16)	-	633
	<u>-</u>	<u>(83)</u>

9 Tangible fixed assets

	Freehold properties £000	Leasehold properties £000	Ships £000	Fixtures fittings, tools and equipment £000	Plant and machinery £000	Total £000
Cost or valuation						
At beginning of year	1,520	307	-	370	28,748	30,945
Additions						
Disposals						
Intra group transfers	(1,520)	(307)	-	(370)	(28,748)	(30,945)
Reallocation						
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation and amortisation						
At beginning of year	-	-	-	230	16,901	17,131
Charge in year						
Disposals						
Intra group transfer				(230)	(16,901)	(17,131)
Reallocation						
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value						
At 31 December 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1998	<u>1,520</u>	<u>307</u>	<u>-</u>	<u>140</u>	<u>11,847</u>	<u>13,814</u>

Notes (continued)

10 Tangible fixed assets (continued)

Historic cost

	Freehold Properties £000	Leasehold properties £000	Ships £000
<i>Cost</i>			
At beginning of year	1,022	457	-
Additions			
Intra group transfers	(1,022)	(457)	-
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	-	-	-
Charge in year			
Intra group transfers			
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 1998	1,022	457	-
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Fixed assets investments

	1999 £000	1998 £000
Shares in subsidiary undertakings at cost	-	1,191
Shares in associated company at cost	-	178
Less: provision against associate	-	(110)
	<u>-</u>	<u>1,259</u>

11 Stocks

	1999 £000	1998 £000
Raw materials and consumables	-	146
	<u>-</u>	<u>146</u>

12 Debtors

	1999 £000	1998 £000
Trade debtors	-	14,527
Amounts owed by group undertakings	7,891	34,958
Prepayments and accrued income	-	3,319
Corporation tax	-	1,635
	<u>7,891</u>	<u>54,439</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank loans and overdrafts	-	42,242
Trade creditors	-	6,154
Amounts owed to group undertakings	-	-
Other creditors including taxation and social security:	-	29
Accruals and deferred income	-	11,358
	<hr/>	<hr/>
	-	59,783
	<hr/>	<hr/>

14 Provisions for liabilities and charges

	1999 £000
<i>Taxation including deferred taxation</i>	
At beginning of year	2,013
Profit and loss charge	
Current year intra group transfer	(2,013)
	<hr/>
At end of year	-
	<hr/>

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

	1999		1998	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	-	2,083	-
Other timing differences	-	-	(70)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	2,013	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Called up share capital

	1999 £000	1998 £000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
3,000,000 ordinary shares of £1 each	3,000	3,000

16 Reconciliation of movement in shareholder's funds

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	1999 Total £000	1998 Total £000
At start of year:	3,000	459	4,432	7,891	7,891
Transfer on disposal	-	(459)	459	-	-
Loss for the year	-	-	(200)	(200)	-
Goodwill on disposal of business previously written off to reserves	-	-	200	200	-
At end of year	3,000	-	4,891	7,891	7,891

17 Commitments

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

	1999 Land and buildings £000	Other £000	1998 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	352
In the second to fifth years inclusive	-	-	-	1,558
Over five years	-	-	339	117
	-	-	339	2,027

Notes (continued)

18 Contingent liabilities

The company has guaranteed certain contract hire payments of Elan Ireland Limited. The annual commitment for this is £Nil (1998: £115,000).

19 Pension scheme

As explained in the accounting policies set out on page 10, the Group of which the company is a member operates a number of pension schemes. The Group operates a defined benefit pension scheme (The P&O Pension Scheme) and makes contributions to the industry wide merchant navy pension schemes; each of these schemes has assets managed on behalf of the trustees by independent fund managers.

Formal actuarial valuations of The P&O Pension Scheme are carried out triennially by R Watson & Sons, consulting actuaries, using the projected unit method, the latest being at 1 April 1997. Particulars of the latest actuarial valuation are contained within the accounts of the Peninsular and Oriental Steam Navigation Company.

20 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Peninsular and Oriental Trans European (Holdings) Limited incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by the company's ultimate parent company The Peninsular and Oriental Steam Navigation Company incorporated in Great Britain and registered in England and Wales, the consolidated accounts of which are available to the public and may be obtained from:

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