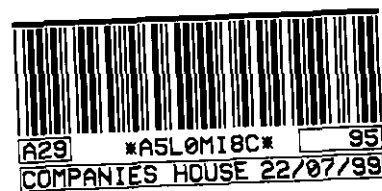


Avner Enterprises Limited

REGISTERED NUMBER : 484069

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1998



Avner Enterprises Limited

REPORT OF THE DIRECTORS

The directors present their annual report and the accounts of the Company for the year ended 31 December 1998.

The Company did not trade during the year.

The directors during the year were:

R M Gradon
N J Monteith
M Owen

According to notifications received by the Company relating to the interests of the directors and their families in the share capital and debentures of group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	Deferred Stock		Deferred Stock under option			
	1998	1997	1998	Granted in year	Exercised in year	1997
N J Monteith	4,085	3,716	21,978	4,700	8,826	26,104
M Owen	16,545	15,443	7,642	7,200	5,587	6,029

In addition M Owen had an interest in £600 5.5% concessionary stock, at 31 December 1998 and 1997.

On 10 June 1998 R M Gradon was appointed to the board of directors of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company, of which this company is a wholly owned subsidiary. His interests in shares and debentures of group companies from the date of his appointment along with his awards under the P&O Long Term Incentive Plan are disclosed in the directors' report of that company. At 31 December 1997 he had an interest in £10,107 deferred stock of that company and £28,330 deferred stock under option.

79 Pall Mall
London SW1Y 5EJ
6 July 1999

On behalf of the Board



M OWEN
Director

Avner Enterprises Limited

BALANCE SHEET AT 31 DECEMBER 1998

	Note	31 Dec 1998 £	31 Dec 1997 £
CAPITAL AND RESERVES			
Called up share capital	2	47	47
Capital reserve		(120,306)	(120,306)
Equity shareholders' funds		(120,302)	(120,302)
Non-equity shareholders' funds		43	43
Shareholders' funds		(120,259)	(120,259)
Creditors (due within one year)			
Amount owed to fellow subsidiary		120,259	120,259
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>

Within the meaning of Section 250 of the Companies Act 1985 the Company was dormant throughout the year.

The financial statements were approved by the Board on 6 July 1999 and were signed on its behalf by N J Monteith.



N J MONTEITH
Director

NOTES

- 1 These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The company has not traded during the year nor the preceding year and thus no profit and loss account has been prepared.
- 2 Share capital, authorised, allotted, called up and fully paid at 31 December 1998 and 1997 was:

	Authorised £	Called up £
Ordinary shares of £ 1 each	57	4
7% cumulative preference shares of £ 1 each	40	40
7% cumulative participating preference shares of £ 1 each	3	3
	<u>100</u>	<u>47</u>
	<u><u>100</u></u>	<u><u>47</u></u>

The arrears of dividends on the preference shares from 7 March 1981 to 31 December 1998 amount to £49.89 on the cumulative preference shares and £3.74 on the cumulative participating preference shares.

NOTES (continued)

- 3 The company has investments which cost £124,000 and have been written down to nil. These comprise unsecured loan notes which were repayable on 24 March 1987. They were not repaid at that date.
- 4 The Company's ultimate holding company is The Peninsular and Oriental Steam Navigation Company, incorporated by Royal Charter in Great Britain and therefore not registered. Its accounts are available to the public from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.