

P&O OVERSEAS HOLDINGS LIMITED

REGISTERED NUMBER : 537728

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1999



## REPORT OF THE DIRECTORS

The directors present their annual report and accounts of the Company for the year ended 31 December 1999.

## PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company acts as an investment holding company in respect of overseas subsidiary companies. The Company's accounts for the year summarise the movements on investments and reserves. The results for the year are set out in the profit and loss account on page 5.

## DIVIDENDS

The directors paid a dividend of £60,000,000 during the year. (1998 – £nil).

## DIRECTORS

The directors during the year were:

Sir Bruce MacPhail  
R M Gradon  
N L Luff (appointed 1 January 1999)  
N J Monteith  
M Owen

R M Gradon retires by rotation in accordance with the articles of association, and being eligible offer himself for re-election.

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 |                    |                      |        |
|--------------|----------------|--------|-----------------------------|--------------------|----------------------|--------|
|              | 1999           | 1998   | 1999                        | Granted<br>in year | Exercised<br>in year | 1998   |
| N J Monteith | 4,493          | 4,085  | 27,778                      | 5,800              | -                    | 21,978 |
| M Owen       | 17,303         | 16,545 | 11,442                      | 3,800              | -                    | 7,642  |

The interests of Sir Bruce MacPhail, R M Gradon and N L Luff in shares and debentures of group companies are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company.

In addition M Owen had an interest in £600 (1998 £600) 5.5% concessionary stock and £1 (1998 £nil) 6.75% convertible stock at 31 December 1999.

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

Under section 385 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.

On behalf of the Board

79 Pall Mall  
London SW1Y 5EJ



M OWEN  
Director  
19 October 2000

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACCOUNTS.

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the auditors on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts on pages 5 to 11, the directors are required to select appropriate accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and state whether all accounting standards which they consider to be applicable have been followed. The directors are also required to use a going concern basis in preparing the accounts unless this is inappropriate.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts 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.

## AUDITORS' REPORT TO MEMBERS OF P&amp;O OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 11.

## 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.

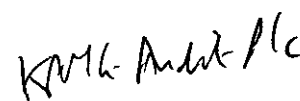
## Basis of opinion

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 result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



London  
19 October 2000

KPMG Audit Plc  
Registered Auditor  
Chartered Accountants

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31 DECEMBER 1999

|   | Notes | 1999<br>£    | 1998<br>£    |
|---|-------|--------------|--------------|
| Income from shares in group undertakings            |       | -            | 57,542,504   |
| Interest receivable – intra-group                   |       | -            | 1,908,669    |
| Release of provision                                |       | -            | 128,649      |
| Exchange gains/(losses)                             |       | -            | 158,790      |
|   |       | <hr/>        | <hr/>        |
| Profit on ordinary activities before taxation       | 2     | -            | 59,738,612   |
| Taxation on ordinary activities                     | 3     | (308,588)    | (20,056,780) |
|   |       | <hr/>        | <hr/>        |
| (Loss)/profit on ordinary activities after taxation |       | (308,588)    | 39,681,832   |
| Dividends paid and proposed                         |       | (60,000,000) | -            |
|   |       | <hr/>        | <hr/>        |
| Retained (loss)/profit for the financial year       | 8     | (60,308,588) | 39,681,832   |
|   |       | <hr/>        | <hr/>        |

All the above transactions relate to continuing business activities.

## BALANCE SHEET AT 31 DECEMBER 1999

|  | Notes | 1999<br>£     | 1998<br>£    |
|--|-------|---------------|--------------|
| <b>FIXED ASSETS</b>  |       |               |              |
| Investments  | 5     | 345,645,756   | 69,835,629   |
| <b>CURRENT ASSETS</b>  |       |               |              |
| Debtors  | 6     | -             | 44,457,626   |
| <b>CREDITORS: AMOUNTS FALLING<br/>DUE WITHIN ONE YEAR</b>          |       |               |              |
| Amount due to fellow subsidiary                                    |       | (307,062,912) | -            |
| Other creditors including taxation and<br>social security          |       | (4,689,833)   | (20,091,656) |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                            |       |               |              |
|  |       | (311,752,745) | 24,365,970   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                       |       |               |              |
|  |       | 33,893,011    | 94,201,599   |
| <b>CREDITORS: AMOUNTS FALLING<br/>DUE AFTER MORE THAN ONE YEAR</b> |       |               |              |
| Amount owed to ultimate holding company                            |       | (26,248,194)  | (26,248,194) |
|  |       | 7,644,817     | 67,953,405   |
| <b>CAPITAL AND RESERVES</b>  |       |               |              |
| Called up share capital  | 7     | 1,081,000     | 1,081,000    |
| Share premium account  | 8     | 37,569        | 37,569       |
| Profit and loss account  | 8     | 6,526,248     | 66,834,836   |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                                  |       |               |              |
|  |       | 7,644,817     | 67,953,405   |

The financial statements were approved by the Board on 19 October 2000 and were signed on its behalf by N J Monteith.



N J MONTEITH  
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 1999

|   | 1999<br>£ | 1998<br>£  |
|---|-----------|------------|
| (Loss)/Profit for the financial year attributable to shareholders | (308,588) | 39,681,832 |
|   | <hr/>     | <hr/>      |
| Total recognised gains and losses for the financial year          | (308,588) | 39,681,832 |
|   | <hr/>     | <hr/>      |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'  
FUNDS FOR THE YEAR ENDED 31 DECEMBER 1999

|  | 1999<br>£    | 1998<br>£  |
|--|--------------|------------|
| Total recognised gains and losses for the financial year | (308,588)    | 39,681,832 |
| Dividends  | (60,000,000) | -          |
|  | <hr/>        | <hr/>      |
| Net change in shareholder funds                          | (60,308,588) | 39,681,832 |
| Shareholders' funds at the beginning of the year         | 67,953,405   | 28,271,573 |
|  | <hr/>        | <hr/>      |
| Shareholders' funds at the end of the year               | 7,644,817    | 67,953,405 |
|  | <hr/>        | <hr/>      |



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1999

## 1 ACCOUNTING POLICIES

- i The accounts are prepared on the historical cost basis and in accordance with applicable United Kingdom accounting standards.
- ii Under Financial Reporting Standard 1 (Revised), the company is exempt 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.
- iii The Company is exempt under S228 of the Companies Act 1985 from the requirement to prepare group accounts because its results are included in the consolidated accounts of its parent company, The Peninsular and Oriental Steam Navigation Company.
- iv Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities and hedged foreign currency equity investments are translated at the rates ruling at the balance sheet dates or at the forward rate when covered by currency contracts. Exchange gains and losses are taken to the profit and loss account except for those arising on foreign currency equity investments and their related hedging loans, which are taken to reserves. Corporation tax attributable to exchange gains and losses on hedging loans is also taken to reserves.
- v Deferred taxation is provided on the 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.
- vi Investments are stated at cost, less amounts written off for impairment in value.

## 2 PROFIT AND LOSS ACCOUNT

- i None of the directors during the year received any remuneration from the company (1998 - nil). The company had no employees during the year (1998 - none).
- ii Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company (1998 - nil)

## 3 TAXATION

The taxation charge on profit on ordinary activities is as follows:

|  | 1999             | 1998                |
|--|------------------|---------------------|
|  | £                | £                   |
| UK Corporation tax at 30.25% (1998 - 31%): |                  |                     |
| Current year                               | -                | (20,657,780)        |
| Prior years                                | (182,413)        | (6,457,000)         |
| Double taxation relief                     | (126,175)        | 7,075,000           |
| Overseas taxation                          | -                | (17,000)            |
|  | <u>(308,588)</u> | <u>(20,056,780)</u> |

## NOTES TO THE ACCOUNTS (CONT'D)

## 4 FIXED ASSETS - PROPERTY

|                     | Freehold<br>Property<br>£ | Amortisation<br>£ | Total<br>£  |
|---------------------|---------------------------|-------------------|-------------|
| <b>Cost</b>         |                           |                   |             |
| At 1 January 1999   | -                         | -                 | -           |
| Additions           | 3,846,512                 | -                 | 3,846,512   |
| Disposals           | (3,846,512)               | -                 | (3,846,512) |
|                     | <hr/>                     | <hr/>             | <hr/>       |
| At 31 December 1999 | -                         | -                 | -           |
|                     | <hr/>                     | <hr/>             | <hr/>       |

## 5 FIXED ASSET INVESTMENTS

|                                   | Shares in<br>group<br>undertakings<br>£ | Unlisted<br>investments<br>£ | Total<br>£  |
|-----------------------------------|---|------------------------------|-------------|
| <b>Cost</b>                       |   |                              |             |
| At 1 January 1999                 | 79,144,881                              | 451,969                      | 79,596,850  |
| Additions                         | 275,810,127                             | -                            | 275,810,127 |
|                                   | <hr/>                                   | <hr/>                        | <hr/>       |
| At 31 December 1999               | 354,955,008                             | 451,969                      | 355,406,977 |
|                                   | <hr/>                                   | <hr/>                        | <hr/>       |
| <b>Provisions</b>                 |   |                              |             |
| At 1 January and 31 December 1999 | (9,309,253)                             | (451,968)                    | (9,761,221) |
|                                   | <hr/>                                   | <hr/>                        | <hr/>       |
| <b>Net book value</b>             |   |                              |             |
| At 31 December 1999               | 345,645,755                             | 1                            | 345,645,756 |
|                                   | <hr/>                                   | <hr/>                        | <hr/>       |
| At 31 December 1998               | 69,835,628                              | 1                            | 69,835,629  |
|                                   | <hr/>                                   | <hr/>                        | <hr/>       |

## NOTES TO THE ACCOUNTS (CONT'D)

## FIXED ASSET INVESTMENTS (cont'd)

Investments in subsidiaries

|  | Country of<br>incorporation | Direct<br>holding % | Indirect<br>holding % | Type of<br>business |
|--|-----------------------------|---------------------|-----------------------|---------------------|
| P&O Netherlands BV<br>6,680 shares of DFL 1,000 each             | The Netherlands             | 100.00              | -                     | Investments         |
| P&O Australia Ltd<br>35,439,031 Ordinary A\$1 shares             |                             | 82.85               | -                     |                     |
| 10,000,000 'A' A\$1 Shares                                       |                             | -                   | 100.00                |                     |
| 2,092,308 'B' A\$1 Shares  | Australia                   | -                   | 100.00                | Services            |
| P&O Holding GmbH<br>42,001,000 DM1 shares                        | Germany                     | 4.88                | 95.12                 | Investments         |
| ACTA Investments (Australia) Limited<br>1,000 ordinary £1 shares | UK                          | 100.00              | -                     | Investments         |
| Laing Investment Company (Central) Limited<br>200,000,000 shares | UK                          | 100.00              | -                     | Investments         |
| Laing Investment Company (Southern) Limited<br>28,301,000 shares | UK                          | 100.00              | -                     | Investments         |

Investments in fellow subsidiaries

|   | Country of<br>incorporation | Holding % |
|---|-----------------------------|-----------|
| P&O American Holdings Ltd<br>13,600 shares of £1 each | United Kingdom              | 1.50      |

The Company is exempt under S228 of the Companies Act 1985 from the requirement to prepare group accounts because its results are included in the consolidated accounts of its ultimate parent company, The Peninsular and Oriental Steam Navigation Company.

In the opinion of the directors, the investments in subsidiaries and in the fellow subsidiaries are worth at least their book value.

Unlisted investments

| <u>Holding</u>   | <u>% of<br/>issued<br/>capital</u> | <u>Country of<br/>incorporation</u> | <u>Directors'<br/>valuation<br/>£</u> |
|--|------------------------------------|-------------------------------------|---------------------------------------|
| National Transport Company Ltd<br>3,000,000 shares of 1 Saudi Riyal each | 30%                                | Saudi Arabia                        | 1                                     |

In the opinion of the directors, the investments are worth at least their book value.

## NOTES TO THE ACCOUNTS (CONT'D)

## 6 DEBTORS

|                                    | 1999<br>£ | 1998<br>£  |
|------------------------------------|-----------|------------|
| Amount owed by fellow subsidiaries | -         | 44,457,626 |

## 7 CALLED UP SHARE CAPITAL

|                                       | 1999<br>£ | 1998<br>£ |
|---------------------------------------|-----------|-----------|
| Authorised:                           |           |           |
| 1,500,000 Ordinary shares of £1 each: | 1,500,000 | 1,500,000 |
| Allotted, called up and fully paid:   |           |           |
| 1,081,000 Ordinary shares of £1 each: | 1,081,000 | 1,081,000 |

## 8 RESERVES

|                        | Profit<br>and loss<br>account<br>£ | Share<br>premium<br>£ |
|------------------------|------------------------------------|-----------------------|
| At 1 January 1999      | 66,834,836                         | 37,569                |
| Retained loss for year | (60,308,588)                       | -                     |
| At 31 December 1999    | 6,526,248                          | 37,569                |

## 9 HOLDING COMPANY

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.

The company is a wholly owned subsidiary of The Peninsular and Oriental Steam Navigation Company and as such, the company has taken advantage of the exemption available under Financial Reporting Standard 8, not to disclose transactions with other group companies.

## 10 POST BALANCE SHEET EVENT

On 18 September 2000, the Company transferred its investment in P&O American Holdings Limited to P&O Property International Limited for 70,975 ordinary £1 shares.

On 25 September 2000, the Company transferred these shares to P&O Property Holdings Limited for a consideration of £2,341,208.