

P&O OVERSEAS HOLDINGS LIMITED

REGISTERED NUMBER : 537728

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2001



## REPORT OF THE DIRECTORS

The directors present their annual report and accounts of the Company for the year ended 31 December 2001.

## 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 do not recommend payment of a dividend during the year ended 31 December 2001 (2000 – £18,586,408).

## DIRECTORS

The directors during the year were:

Sir Bruce MacPhail  
R M Gradon  
N J Monteith  
S Scott (Appointed 20<sup>th</sup> April 2001)  
J M Laver (Resigned 20<sup>th</sup> April 2001)

On 31<sup>st</sup> May 2002 N J Monteith resigned and P A Walker was appointed a director of the Company.

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 |                    |                      |         |
|--------------|----------------|-------|-----------------------------|--------------------|----------------------|---------|
|              | 2001           | 2000  | 2001                        | Granted<br>in year | Exercised<br>in year | 2000    |
| N J Monteith | 17,036+        | 7,105 | 195,618                     | 73,189             | -                    | 122,429 |
| S Scott      | 60             | 60*   | 34,148                      | 16,059             | -                    | 18,089* |

\*at/from date of appointment.

+Of this £12,238 nominal of deferred stock is held under the rules of the P&O Deferred Bonus & Co-Investment Matching Plan full details of which are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company. £8,406 nominal of deferred stock is held as a Stock Award/Deferred Stock Bonus Award granted on 15 March 2001 and £3,832 nominal of deferred stock is held as an Investment Stock award.

R M Gradon is a director 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 and of his awards under the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company.

The interests of Sir Bruce MacPhail and R M Gradon in shares and debentures of group companies and of awards under the P&O Long Term Incentive Plan and the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company.

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  
21 January 2003



S. Scott  
Secretary

## 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 independent auditors on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the independent 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.

## REPORT OF THE INDEPENDENT AUDITORS 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 1985. 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.

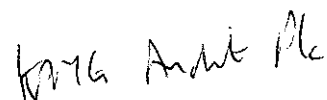
Basis of opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



London  
21 January 2003

KPMG Audit Plc  
Registered Auditor  
Chartered Accountants

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31 DECEMBER 2001

|   | Notes | 2001<br>£  | 2000<br>£    |
|---|-------|------------|--------------|
| Admin expenses                                |       | 106,046    | -            |
| Operating profit                              | 2     | 106,046    | -            |
| Income from shares in group undertakings      |       | 14,286,496 | 16,186,407   |
| Loss on disposal of subsidiary                |       | -          | (28)         |
| Loss on sale of fixed assets                  |       | -          | (403,962)    |
| Profit on ordinary activities before taxation |       | 14,392,542 | 15,782,417   |
| Tax on profit on ordinary activities          | 3     | -          | -            |
| Profit on ordinary activities after taxation  |       | 14,392,542 | 15,782,417   |
| Dividends paid and proposed                   |       | -          | (18,586,408) |
| Retained profit/(loss) for the financial year | 6     | 14,392,542 | (2,803,991)  |

The notes on pages 8 to 11 form part of these financial statements.

All the above transactions relate to continuing business activities.

## BALANCE SHEET AT 31 DECEMBER 2001

|   | Notes | 2001<br>£     | 2000<br>£     |
|---|-------|---------------|---------------|
| FIXED ASSETS  |       |               |               |
| Investments   | 4     | 468,276,190   | 343,304,827   |
|   |       | <hr/>         | <hr/>         |
|   |       | 468,276,190   | 343,304,827   |
|   |       | <hr/>         | <hr/>         |
| CREDITORS:  |       |               |               |
| AMOUNTS FALLING DUE WITHIN<br>ONE YEAR                    |       |               |               |
| Amount due to fellow subsidiary                           |       | (293,450,080) | (307,525,974) |
| Other creditors including taxation and<br>social security |       | (4,525,230)   | (4,689,833)   |
|   |       | <hr/>         | <hr/>         |
| NET CURRENT LIABILITIES                                   |       | (297,975,310) | (312,215,807) |
|   |       | <hr/>         | <hr/>         |
| TOTAL ASSETS LESS CURRENT<br>LIABILITIES                  |       | 170,300,880   | 31,089,020    |
| CREDITORS:  |       |               |               |
| AMOUNTS FALLING DUE AFTER<br>MORE THAN ONE YEAR           |       |               |               |
| Amount owed to ultimate holding company                   |       | (151,067,512) | (26,248,194)  |
|   |       | <hr/>         | <hr/>         |
| NET ASSETS  |       | 19,233,368    | 4,840,826     |
|   |       | <hr/>         | <hr/>         |
| CAPITAL AND RESERVES                                      |       |               |               |
| Called up share capital                                   | 5     | 1,081,000     | 1,081,000     |
| Share premium account                                     | 6     | 37,569        | 37,569        |
| Profit and loss account                                   | 6     | 18,114,799    | 3,722,257     |
|   |       | <hr/>         | <hr/>         |
| EQUITY SHAREHOLDERS' FUNDS                                |       | 19,233,368    | 4,840,826     |
|   |       | <hr/>         | <hr/>         |

The notes on pages 8 to 11 form part of these financial statements.

The financial statements were approved by the Board on 21 January 2003 and were signed on its behalf by P A Walker.



P A WALKER  
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2001

|   | 2001<br>£  | 2000<br>£  |
|---|------------|------------|
| Profit/(loss) for the financial year attributable to shareholders | 14,392,542 | 15,782,417 |
|   | <hr/>      | <hr/>      |
| Total recognised gains and losses for the financial year          | 14,392,542 | 15,782,417 |
|   | <hr/>      | <hr/>      |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'  
FUNDS FOR THE YEAR ENDED 31 DECEMBER 2001

|  | 2001<br>£  | 2000<br>£    |
|--|------------|--------------|
| Total recognised gains and losses for the financial year | 14,392,542 | 15,782,417   |
| Dividends  | -          | (18,586,408) |
|  | <hr/>      | <hr/>        |
| Net change in shareholder funds                          | 14,392,542 | (2,803,991)  |
| Shareholders' funds at the beginning of the year         | 4,840,826  | 7,644,817    |
|  | <hr/>      | <hr/>        |
| Shareholders' funds at the end of the year               | 19,233,368 | 4,840,826    |
|  | <hr/>      | <hr/>        |



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

## 1 ACCOUNTING POLICIES

- i The accounts are prepared on the historical cost basis and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 18 (Accounting Policies).
- 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 hedged 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 The directors do not receive any remuneration for their services to the Company; their emoluments for work within the group are paid by other group companies and are dealt with in the accounts of those companies (2000 - nil).
- ii The Company had no employees during the year (2000 - none).
- iii Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this Company (2000 - £nil)

## 3 TAXATION

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

|   | 2001<br>£   | 2000<br>£   |
|---|-------------|-------------|
| UK Corporation tax at 30% (2000 - 30%): |             |             |
| Current year                            | (6,123,000) | (6,936,900) |
| Double taxation relief                  | 6,123,000   | 6,936,900   |
|   | <hr/>       | <hr/>       |
|   | -           | -           |

None of the corporation tax charge related to charges in respect of profits and losses on the sale of fixed assets and businesses (2000: £nil).

## NOTES TO THE ACCOUNTS (CONT'D)

## 4 FIXED ASSET INVESTMENTS

|  | Investment in<br>Group<br>Undertakings<br>£ | Unlisted<br>investments<br>£ | Total<br>£  |
|--|---|------------------------------|-------------|
| <b>Cost</b>                            |   |                              |             |
| At 1 January 2001                      | 343,506,574                                 | 451,969                      | 343,958,543 |
| Additions                              | 124,971,363                                 | -                            | 124,971,363 |
|  | <hr/>                                       | <hr/>                        | <hr/>       |
| At 31 December 2001                    | 468,477,937                                 | 451,969                      | 468,929,906 |
|  | <hr/>                                       | <hr/>                        | <hr/>       |
| <b>Provisions</b>                      |   |                              |             |
| At 1 January 2001 and 31 December 2001 | (201,748)                                   | (451,968)                    | (653,716)   |
|  | <hr/>                                       | <hr/>                        | <hr/>       |
| <b>Net book value</b>                  |   |                              |             |
| At 31 December 2001                    | 468,276,189                                 | 1                            | 468,276,190 |
|  | <hr/>                                       | <hr/>                        | <hr/>       |
| At 31 December 2000                    | 343,304,826                                 | 1                            | 343,304,827 |
|  | <hr/>                                       | <hr/>                        | <hr/>       |

## NOTES TO THE ACCOUNTS (CONT'D)

## FIXED ASSET INVESTMENTS (cont'd)

|   | 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<br>Netherlands          | 100.00              | -                     | Investments         |
| P&O Australia Ltd<br>35,439,031 Ordinary A\$1 shares  | Australia                   | 82.85               | -                     | Services            |
| 10,000,000 'A' A\$1 shares  | Australia                   | -                   | 100.00                |                     |
| 2,092,308 'B' A\$1 shares   | Australia                   | -                   | 100.00                |                     |
| P&O Holding GmbH<br>2,052,000 Dm1 shares<br>27,010,851 Dm Loan Note   | Germany                     | 4.88                | 95.12                 | Investments         |
| ACTA Investments (Australia) Limited<br>1,000 ordinary £1 shares  | UK                          | 100.00              | -                     | Investments         |
| Leonora Investment Company (Central)<br>Limited (formerly Laing Investment<br>Company (Central))<br>200,000,000 shares  | UK                          | 100.00              | -                     | Investments         |
| Leonora Investment Company (Southern)<br>Limited (formerly Laing Investment<br>Company (Southern))<br>28,301,000 shares | UK                          | 100.00              | -                     | Investments         |
| P&O Ports (Surabaya) Ltd<br>8,688,120 Ordinary shares US\$1   | Indonesia                   | 100.00              | -                     | Ports               |
| 17,376 redeemable 'A' Ordinary shares<br>US\$0.01   | Indonesia                   | 100.00              | -                     | Ports               |

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

Unlisted investments

| Holding  | % of<br>Issued<br>Capital | Country of<br>incorporation | Directors'<br>valuation<br>£ |
|--|---------------------------|-----------------------------|------------------------------|
| 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)

## 5 CALLED UP SHARE CAPITAL

|                                       | 2001<br>£ | 2000<br>£ |
|---------------------------------------|-----------|-----------|
| Authorised:                           |           |           |
| 1,500,000 Ordinary shares of £1 each: | 1,500,000 | 1,500,000 |
| Alotted, called up and fully paid:    |           |           |
| 1,081,000 Ordinary shares of £1 each: | 1,081,000 | 1,081,000 |

## 6 RESERVES

|                          | Profit<br>and loss<br>account<br>£ | Share<br>premium<br>£ | Total<br>£ |
|--------------------------|------------------------------------|-----------------------|------------|
| At 1 January 2001        | 3,722,257                          | 37,569                | 3,759,826  |
| Retained profit for year | 14,392,542                         | -                     | 14,392,542 |
| At 31 December 2001      | 18,114,799                         | 37,569                | 18,152,368 |

## 7 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.