

P&O OVERSEAS HOLDINGS LIMITED

REGISTERED NUMBER : 537728

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1996



P&O OVERSEAS HOLDINGS LIMITEDREPORT OF THE DIRECTORS

The directors present their annual report and accounts of the Company for the year ended 31 December 1996.

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.

FIXED ASSETS

Movements in fixed assets are shown in the notes to the accounts. During the year the company sold its 100% share in P&O Finance BV to P&O Netherlands BV for a profit of £92,570. It also purchased ACTA Investments (Australia) Limited from another group company.

DIVIDENDS

The Company paid a dividend of £20,000,000 during the year (1995 nil).

DIRECTORS

The directors during the year were:

Sir Bruce MacPhail	
J M Crossman	(resigned 30 June 1996)
R M Gradon	(appointed 1 July 1996)
N J Monteith	
D E A Morris	
M Owen	

D E A Morris and M Owen retire by rotation in accordance with the articles of association, and being eligible offer themselves for re-election.

R M Gradon as a newly appointed director, will in accordance with Company regulations retire and being eligible will 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 the company and other group companies, there were the following beneficial interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	Deferred Stock		Deferred Stock under option			
	1996	1995	1996	Granted in year	Exercised in year	1995
R M Gradon	5,272	5,272 †	59,954	-	-	59,954 †
N J Monteith	2,460	1,758	25,787	5,978	317	20,126
M Owen	11,380	6,607	9,112	-	15,185	24,297

† At date of appointment

P&O OVERSEAS HOLDINGS LIMITED

REPORT OF THE DIRECTORS (CONT'D)

Sir Bruce MacPhail and D E A Morris are also members of the board of directors of the ultimate holding company of which this company is a wholly owned subsidiary. Their interests in shares and debentures of group companies are disclosed in the directors' report of that company.

In addition M Owen had an interest in £600 5.5% concessionary stock, at 31 December 1996 and 1995.

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
18 July 1997

P&O OVERSEAS HOLDINGS LIMITEDDIRECTORS' 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 page 5 to 11, the directors are required to select appropriate accounting policies, 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 AUDITORS TO THE MEMBERS OFP&O OVERSEAS HOLDINGS LIMITED

We have audited the accounts on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1996 and of the result for the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

London

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 July 1997

P&O OVERSEAS HOLDINGS LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	1995 £
Income from shares in group undertakings		12,306,471	33,073,073
Interest receivable - intra-group		5,089,540	3,590,848
Interest payable - intra-group		(1,156,854)	(3,182)
Profit on sale of investment		92,570	-
Exchange losses		(4,476,628)	(243,002)
Profit on ordinary activities before taxation	2	11,855,099	36,417,737
Taxation on ordinary activities	3	(5,733,917)	(2,791,000)
Profit for the financial year attributable to shareholders		6,121,182	33,626,737
Interim dividend		(20,000,000)	-
Retained (loss)/ profit for the financial year	8	(13,878,818)	33,626,737

All the above transactions relate to continuing business activities.

P&O OVERSEAS HOLDINGS LIMITEDBALANCE SHEET AT 31 DECEMBER 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Investments	4	61,113,653	60,436,307
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	5	2,317,303	187,428,171
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to fellow subsidiaries		-	(91,846,559)
Other creditors including taxation and social security		(9,168,748)	(5,424,970)
Accruals and deferred income		(128,649)	(131,831)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(6,980,094)	90,024,811
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		54,133,559	150,461,118
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount owed to ultimate holding company	6	(26,248,194)	(110,206,037)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	5	-	(636,000)
		<hr/>	<hr/>
		27,885,365	39,619,081
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	7	1,081,000	1,081,000
Share premium account	8	37,569	37,569
Profit and loss account	8	26,766,796	38,500,512
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		27,885,365	39,619,081
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The financial statements were approved by the Board on 18 July 1997 and were signed on its behalf by N J Monteith.



N J MONTEITH
Director

P&O OVERSEAS HOLDINGS LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £	1995 £
Profit for the financial year attributable to shareholders	6,121,182	33,626,737
Exchange movements on foreign currency net investments	1,883,102	(540,550)
Corporation tax on exchange differences taken to reserves	262,000	-
Total recognised gains and losses for the financial year	<u>8,266,284</u>	<u>33,086,187</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'
FUNDS FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £	1995 £
Total recognised gains and losses for the financial year	8,266,284	33,086,187
Dividends	(20,000,000)	-
Shareholders' funds at the beginning of the year	39,619,081	6,532,894
Shareholders' funds at the end of the year	<u>27,885,365</u>	<u>39,619,081</u>

P&O OVERSEAS HOLDINGS LIMITEDNOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996**1 ACCOUNTING POLICIES**

- a) The accounts are prepared on the historical cost basis and in accordance with applicable United Kingdom accounting standards. The ultimate holding company has indicated its intention to continue to support the company and its activities.

Under Financial Reporting Standard 1, 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.

- b) 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.
- c) 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.
- d) Investments are stated at cost, less amounts written off for permanent diminutions in value.

2 PROFIT AND LOSS ACCOUNT

- a) None of the directors during the year received any remuneration from the company (1995 - nil). The company had no employees during the year (1995 - none).
- b) Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company (1995 - nil)

3 TAXATION

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

	1996 £	1995 £
UK Corporation tax at 33% (1995 - 33%):		
Current year	(4,601,000)	(2,321,000)
Prior years	(1,768,917)	-
Double taxation relief	3,595,222	13,784,000
Overseas taxation	(3,595,222)	(13,784,000)
Deferred taxation	636,000	(470,000)
	<hr/>	<hr/>
	(5,733,917)	(2,791,000)
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P&O OVERSEAS HOLDINGS LIMITEDNOTES TO THE ACCOUNTS (CONT'D)**4 FIXED ASSET INVESTMENTS**

	Shares in group undertakings	Unlisted investments	Total
Cost			
At 1 January 1996	69,745,559	451,969	70,197,528
Additions	2,346,432	-	2,346,432
Disposal	(78,320)	-	(78,320)
Exchange	(1,590,766)	-	(1,590,766)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	70,422,905	451,969	70,874,874
	<hr/>	<hr/>	<hr/>
Provisions			
At 1 January and 31 December 1996	(9,309,253)	(451,968)	(9,761,221)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1996	61,113,652	1	61,113,653
	<hr/>	<hr/>	<hr/>
At 31 December 1995	60,436,306	1	60,436,307
	<hr/>	<hr/>	<hr/>

Investments in subsidiaries

	<u>Country of incorporation</u>	<u>Direct holding %</u>	<u>Indirect holding %</u>	<u>Type of business</u>
P&O Netherlands BV 6,680 shares of DFL 1,000 each	The Netherlands	100.00	-	Investments
P&O Australia Ltd 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 42,000,000 DM1 shares	Germany	4.88	95.12	Investments
ACTA Investments (Australia) Limited 1,000 ordinary £1 shares	UK	100.00	-	Investments

During the year the company disposed of its direct holding in P&O Finance BV to P&O Netherlands BV for a profit of £92,570.

The investment in P&O Australia was redenominated as an Australian Dollar asset in 1995. This was done because in the opinion of the directors it is appropriate to carry the investment as an Australian Dollar asset.

P&O OVERSEAS HOLDINGS LIMITEDNOTES TO THE ACCOUNTS (CONT'D)**4 FIXED ASSET INVESTMENTS (cont'd)**Investments in fellow subsidiaries

	<u>Country of incorporation</u>	<u>Holding %</u>
P&O American Holdings Ltd 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 issued capital</u>	<u>Country of incorporation</u>	<u>Directors' valuation £</u>
National Transport Company Ltd 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.

5 DEBTORS

	1996 £	1995 £
Amount owed by ultimate holding company	-	89,671,435
Amount owed by subsidiary	2,317,303	95,831,337
Prepayments and accrued income	-	1,925,399
	<hr/>	<hr/>
	2,317,303	187,428,171
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In 1995 prepayments and accrued income comprised interest receivable from a subsidiary, this income gave rise to a deferred tax liability of £636,000 in 1995.

P&O OVERSEAS HOLDINGS LIMITEDNOTES TO THE ACCOUNTS (CONT'D)**6 AMOUNT OWED TO ULTIMATE HOLDING COMPANY**

Included in the amount owed to the ultimate holding company last year was an Australian dollar loan of £110,206,037. The basis of charging interest is agreed between the parties from time to time.

7 CALLED UP SHARE CAPITAL

	1996 £	1995 £
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 and loss account £	Share premium £
At 1 January 1996	38,500,512	37,569
Retained loss for year	(13,878,818)	-
Exchange movements	1,883,102	-
Corporation tax on exchange differences taken to reserves	262,000	-
At 31 December 1996	26,766,796	37,569

Exchange movements in the profit and loss account reserve include a loss of £1,002,761 in respect of foreign currency borrowings.

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.