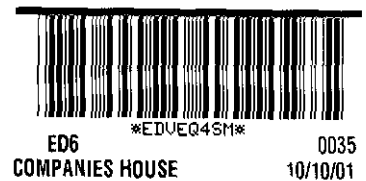


**P&O Trans European (Holdings) Limited**

**Directors' report and financial  
statements**

Registered number 968911

31 December 2000



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditor to the members of P & O Trans European (Holdings) Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### Principal activities and business review

The company handles the co-ordination of all general management activities of the companies within the Trans European Division of The Peninsular and Oriental Steam Navigation Company. The company holds investments in a number of other companies within the Division.

### Results and dividends

The loss for the year retained in the company is £348,000 (*1999: profit £793,000*). An interim dividend of £1,090,000 (*1999: £Nil*) was paid to the Peninsular and Oriental Steam Navigation Company. No final dividend was declared (*1999: £Nil*).

### Directors and directors' interests

The directors who held office during the year were:

GDS Dunlop	-	Chairman
CJ Rice	-	Managing Director
DJ Crowther		
JR Steele		
MN Taylor		
J Bradshaw		
D McMillan		
HH Kersten		

## Directors' report (continued)

### Directors and directors' interests (continued)

The directors who held office at the end of the financial year had the following interest in the ordinary shares of group companies, as recorded in the registers of directors' share and debenture interests:

#### The Peninsular and Oriental Steam Navigation Company

	£1 Deferred Ordinary Shares		Replacement options granted during the year	New options granted during the year	Grant Price	Deferred stock under option exercised during the year		
	31.12.00	31.12.99				Number	Exercise Price	Market price When exercised
CJ Rice	19,427	79	8,238	89,360	243p	-	-	-
DJ Crowther	2,929	2,229	23,672	16,720	243p	-	-	-
MN Taylor	2,811	2,321	12,911	73,584	243p	-	-	-
J Bradshaw	2,406	3,138	11,924	68,363	243p	-	-	-
HH Kersten	-	-	26,189	19,600	243p	-	-	-

SAYE options granted			SAYE option exercised during the year		
	Number	Grant price	Number	Exercise Price	Market price When exercised
DJ Crowther	-	-	375	518p	550p
MN Taylor	-	-	90	0p	550p
J Bradshaw	-	-	732	423p	550p

Mr JR Steele's and Mr GDS Dunlop's interest in the ordinary shares of group companies are disclosed in the accounts of The Peninsular and Oriental Steam Navigation Company.

The options are generally exercisable not later than October 2010.

No director had any material interest in any contract with the company except as disclosed in this report and financial statements.


### Creditor Payment Policy

The Company's policy is to pay suppliers in accordance with terms and conditions agreed when the orders are placed. Where payment terms have not been specifically agreed, then invoices dated in one calendar month are paid close to the end of the following month. The company had 27 days purchases outstanding at 31 December 2000.

### Implications of the Euro

The company continues to assess the business effect of the introduction of the Euro. This has involved the training of staff and ensuring computer systems are suitably tested and modified where necessary. Nevertheless, it is anticipated that the effect on the company will be limited. The company has not incurred any significant costs to date.

By order of the board

  
**CM Goates**  
 Secretary

Peninsular House  
 Lower Brook Street  
 Ipswich  
 Suffolk  
 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 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 keeping 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 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.



KPMG Audit Plc  
6 Lower Brook Street  
Ipswich IP4 1AP  
United Kingdom

## **Report of the auditor to the members of P & O Trans European (Holdings) Limited**

We have audited the financial statements on pages 5 to 18.

### **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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

5/10/2001

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

## Profit and loss account

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
<b>Turnover</b>		<b>228</b>	<b>199</b>
Administrative expenses		(1,793)	(2,071)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(1,565)</b>	<b>(1,872)</b>
Income from shares in group companies		2,590	1,500
Other interest receivable and similar income	5	2,462	4,578
Interest payable and similar charges	6	(3,501)	(3,844)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	2	<b>(14)</b>	<b>362</b>
Tax on(loss)/profit from ordinary activities	7	756	431
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>742</b>	<b>793</b>
Dividends		(1,090)	-
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>		<b>(348)</b>	<b>793</b>
		<hr/>	<hr/>

Statement of movements on reserves are given in note 15.

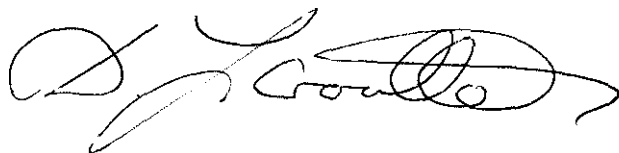
Turnover and operating profit entirely relate to continuing activities as defined by FRS3. No statement of total recognised gains and losses has been presented as all recognised gains and losses are accounted for by the above profit and loss account.

The notes on pages 7 to 18 form part of the these financial statements.

**Balance sheet**  
**at 31 December 2000**

	Note	2000 £000	1999 £000
<b>Fixed assets</b>			
Tangible assets	8	1,431	818
Investments	9	27,684	27,684
		<u>29,115</u>	<u>28,502</u>
<b>Current assets</b>			
Debtors	10	81,494	44,283
Short term investments		809	4
Cash at bank and in hand		7,586	9,604
		<u>89,889</u>	<u>53,891</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(75,698)</u>	<u>(26,141)</u>
<b>Net current assets</b>		<u>14,191</u>	<u>27,750</u>
<b>Total assets less current liabilities</b>		<u>43,306</u>	<u>56,252</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(12,055)</u>	<u>(24,653)</u>
<b>Net assets</b>		<u>31,251</u>	<u>31,599</u>
<b>Capital and reserves</b>			
Called up share capital	14	29,200	29,200
Profit and loss account	15	2,051	2,399
<b>Equity shareholders' funds</b>		<u>31,251</u>	<u>31,599</u>

These financial statements were approved by the board of directors on 19 September 2001 and were signed on its behalf by:



DJ Crowther  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently 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.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The Peninsular and Oriental Steam Navigation Company and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt from the disclosure requirements of Financial Reporting Standard No 8 insofar as they relate to transactions with entities that are part of the same group or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of The Peninsular and Oriental Steam Navigation Company and its results are included in the consolidated financial statements of that company which are publicly available.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

motor vehicles	-	4 years
Fixtures, fittings and office equipment	-	4-10 years
Computer equipment	-	4 years
Leasehold property improvements	-	Over the period of the lease

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange differences arising on revaluation of group loans are taken to reserves.

## **Notes** *(continued)*

### **1** Accounting policies *(continued)*

#### ***Pension costs***

The company participates in the main P&O group pension scheme which is a defined benefit scheme with assets held in a separate trustee administered fund.

Pension scheme contributions are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives.

Formal actuarial valuations of the main P&O scheme are carried out triennially by Watson Wyatt Partners. Particulars of this actuarial valuation are contained in the accounts of The Peninsular and Oriental Steam Navigation Company.

#### ***Taxation***

The charge for taxation is based on the (loss)/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### ***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

**Notes (continued)**

**2 (Loss)/profit on ordinary activities before taxation**

	2000 £000	1999 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Audit fees	26	31
Depreciation and other amounts written off tangible fixed assets	124	148
(Profit)/ loss on sale of other fixed assets	(16)	1
	<hr/>	<hr/>

**3 Remuneration of Directors**

	2000 £000	1999 £000
Directors' emoluments	254	216
Amounts receivable under long term incentive schemes	-	74
	<hr/>	<hr/>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £160,000 (1999: £209,000). The highest paid director is a member of a defined benefit scheme, under which his accrued pension at the year end was £68,856 (1999: £62,331). In respect of the directors whose costs are borne by the company, retirement benefits are accruing to 2 (1999: 2) under a defined benefit scheme.

The number of such directors who exercised share options was 1 (1999: 2). The number of such directors in respect of whose services shares were received or receivable under long term incentive schemes was 1 (1999: 1).

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors whose costs are borne by the company) during the year, analysed by category, was as follows:

	2000 No	1999 No
Administration	9	9

In addition there are 6 (1999: 6) directors whose costs are borne entirely by other companies.

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	464	515
Social security costs	53	49
Other pension costs	60	53
	<u>577</u>	<u>617</u>

### 5 Other interest receivable and similar income

	2000 £000	1999 £000
Group undertakings	1,806	4,053
Bank interest	635	525
Other interest	21	-
	<u>2,462</u>	<u>4,578</u>

### 6 Interest payable and similar charges

	2000 £000	1999 £000
Group undertakings	3,456	3,844
Bank interest	45	-
	<u>3,501</u>	<u>3,844</u>

**Notes** *(continued)*

**7 Taxation**

	2000 £000	1999 £000
UK Corporation tax at 30% (1999:30.25%)		
Current year	844	304
Deferred taxation		
Current year	(88)	127
	<hr/>	<hr/>
	756	431
	<hr/>	<hr/>

**Notes (continued)**

**8 Tangible fixed assets**

	Computers/ Software Licences £000	Motor Vehicles £000	Fixtures, fittings tools and equipment £000	Short Leasehold Property Improvements £000	Total £000
<i><b>Cost</b></i>					
At beginning of year	568	92	140	871	1,671
Additions	669	53	20	3	745
Disposals	(5)	(92)	(19)	-	(116)
At end of year	1,232	53	141	874	2,300
<i><b>Depreciation</b></i>					
At beginning of year	490	92	101	170	853
Charged in year	33	-	22	69	124
On disposals	(4)	(87)	(17)	-	(108)
At end of year	519	5	106	239	869
<i><b>Net book value</b></i>					
At 31 December 2000	713	48	35	635	1,431
At 31 December 1999	78	-	39	701	818

## Notes (continued)

### 9 Fixed asset investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At beginning and end of the year	27,939
<b>Provisions</b>	
At beginning and end of the year	255
<b>Net book value</b>	
At 31 December 2000 and 1999	27,684

Subsidiary undertakings	Country of registration	Principal activity
P&O Ferrymasters Limited	Northern Ireland	International transport
P&O Trans European Limited	England & Wales	Domestic warehousing, distribution & contract hire
Pandoro Limited	England & Wales	Dormant
Red Carnation Gums Limited	England & Wales	Merchanting gums
Butlers (Grinders and Operators) Limited	England & Wales	Dormant
Northern Ireland Trailers (Scotland) Limited	England & Wales	Dormant
F J Benford Limited	England & Wales	Dormant
P&O Tank Transport Limited	England & Wales	Dormant
Peninsular Computer and Information Systems Limited	England & Wales	Dormant
POETS Fleet Management Limited	England & Wales	Dormant
P&O Roadtanks Limited	England & Wales	Dormant

All of the subsidiaries are wholly owned except P&O Roadtanks Limited which is 50% owned by P&O Steam Navigation Company and P&O Ferrymasters Limited, which is 16% owned by P&O Ferrymasters BV. All of the interests represent holdings in the ordinary shares of the companies.

**Notes** *(continued)*

**10 Debtors**

	2000 £000	1999 £000
Trade debtors	22	1
Amounts owed by group undertakings	80,385	43,770
Other debtors	268	119
Corporation tax	670	172
Deferred taxation (note 13)	66	154
Prepayments and accrued income	83	67
	<hr/> 81,494 <hr/>	<hr/> 44,283 <hr/>

*The amounts owed by group undertakings comprise:*

Parent and fellow subsidiary undertakings	1	26
Subsidiary undertakings	80,384	43,744
	<hr/> 80,385 <hr/>	<hr/> 43,770 <hr/>

Included in amounts owed by group undertakings are amounts of £39,960,000 (1999:£12,183,000) which are due after one year.



**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	2000 £000	1999 £000
Bank overdrafts	248	-
Trade creditors	646	189
Amounts owed to group undertakings	73,909	24,828
Other creditors	672	671
Accruals and deferred income	223	453
	<hr/> 75,698 <hr/>	<hr/> 26,141 <hr/>
<i>The amount owed to group undertakings comprise:</i>		
Parent and fellow subsidiary undertakings	73,909	24,709
Subsidiary undertakings	-	119
	<hr/> 73,909 <hr/>	<hr/> 24,828 <hr/>

**12 Creditors: amounts falling due after more than one year**

	2000 £000	1999 £000
Amounts owed to group undertakings	12,055	24,653
	<hr/> 12,055 <hr/>	<hr/> 24,653 <hr/>
<i>The amounts owed to group undertakings comprise:</i>		
Parent and fellow subsidiary undertakings	3,227	12,658
Subsidiary undertakings	8,828	11,995
	<hr/> 12,055 <hr/>	<hr/> 24,653 <hr/>

**Notes (continued)**

**13 Deferred taxation**

	2000 £000	1999 £000
Balance at 1 January	154	27
Amounts charged in the profit and loss account	(88)	127
	<hr/>	<hr/>
Balance at 31 December	66	154
	<hr/>	<hr/>
Deferred tax asset relating to:	2000 £000	1999 £000
Taxed pension and other provisions	14	26
Difference between accumulated depreciation and capital allowances claimed	52	128
	<hr/>	<hr/>
Total	66	154
	<hr/>	<hr/>

**14 Called up share capital**

	2000 £000	1999 £000
<i>Authorised</i>		
30,000,000 ordinary shares of £1 each	30,000	30,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
29,200,000 ordinary shares of £1 each	29,200	29,200
	<hr/>	<hr/>

## Notes (continued)

### 15 Reserves

	Profit and loss account £000
At 1 January 2000	2,399
Retained (loss) for the year	(348)
	<hr/>
At 31 December 2000	2,051
	<hr/>

### 16 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
(Loss)/profit for the financial year	(348)	793
	<hr/>	<hr/>
Net addition to shareholders' funds	(348)	793
Opening shareholders' funds	31,599	30,806
	<hr/>	<hr/>
Closing shareholders' funds	31,251	31,599
	<hr/>	<hr/>

### 17 Contingent liabilities

The company had no contingent liabilities at 31 December 2000 (1999: Nil).

### 18 Commitments

The commitment of the company during the following year in respect of non-cancellable operating leases is as follows:

	2000		1999	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	168	-	135	-
	<hr/>	<hr/>	<hr/>	<hr/>
	168	-	135	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes** *(continued)*

**19 Ultimate parent company and parent undertaking of larger group of which the company is a member and ultimate controlling parties**

The company is a subsidiary undertaking of The Peninsular and Oriental Steam Navigation Company, which is incorporated in Great Britain and registered in England and Wales. This is the ultimate controlling party of the company.

The consolidated accounts of this group are available to the public and may be obtained from:

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