

P&O European Transport Services Limited

Directors' report and financial statements

31 December 1995

Registered number 968911



P&O European Transport Services Limited

Directors' report and financial statements

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P&O European Transport Services Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities and business review

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

Dividends

The directors recommended the payment of a dividend in the year of £8,084,000 (1994: £10,402,000).

After deducting the total ordinary dividends, the profit for the year retained in the company is £341,000 (1994: £435,000).

Significant changes in fixed assets

Details of fixed asset movements during the year are shown in note 10 to the financial statements.

Directors and directors' interests

The directors who held office during the year were:

AD Barrett	
AJB Crean	- (resigned 31 May 1995)
D Munt	- (retired 31 July 1995)
JH Paton	
JG Turner	- (resigned 10 March 1995)
BMV Williams	
JR Steele	- (Chairman)
CJ Rice	
RS Balme	- (deceased 5 April 1995)
BP Stedman	
SE Bradburn	
MN Taylor	- (appointed 10 March 1995)
J Bradshaw	- (appointed 1 August 1995)
JH Kearsley	- (appointed 1 August 1995)
D McMillan	- (appointed 1 August 1995)

P&O European Transport Services Limited

Directors' report

Directors and directors' interests (continued)

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

The Peninsular and Oriental Steam Navigation Company

	£1 Deferred Ordinary Shares		Deferred stock under options granted/(lapsed) during the year	Deferred stock under options exercised during the year
	At 31/12/95	At 31/12/94		
AD Barrett	7,841	6,806	1,714	521
JH Paton	8,174	8,579	19,228	758
BMV Williams	1,342	1,358	-	-
CJ Rice	1,292	1,239	14,600	-
JR Steele	5,518	3,249	-	-
BP Stedman	7,280	6,808	714	-
SE Bradburn	307	51	484	-
J Bradshaw	1,522	1,809	7,500	-
JH Kearsley	4,305	3,321	6,657	8,124

The options are generally exercisable not later than May 2005 at prices between 305p and 717p.

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

By order of the board

CG Smith
Secretary

Station House
Stamford New Road
Altrincham
Cheshire

11 July 1996

P&O European Transport Services Limited

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.



St James' Square
Manchester M2 6DS

Report of the auditors to the members of P&O European Transport Services Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, of those statements 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 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

17 July 1996



P&O European Transport Services Limited

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £000	1994 £000
Turnover from continuing operations	2	1,715	1,790
Administrative expenses		(2,097)	(1,513)
Operating (loss) /profit on continuing operations	3-5	(382)	277
Income from shares in group companies		8,100	9,797
Other interest receivable and similar income	6	2,384	1,961
Interest payable and similar charges	7	(1,152)	(712)
Profit on ordinary activities before taxation		8,950	11,323
Tax on profit on ordinary activities	8	(525)	(486)
Profit on ordinary activities after taxation		8,425	10,837
Dividends	9	(8,084)	(10,402)
Retained profit for the financial year		341	435

Statements of movements on reserves are given in notes 17 and 18. The company had no recognised gains and losses other than its retained profit for the year and consequently no separate statement has been prepared.

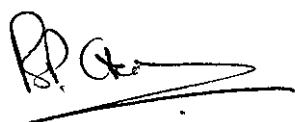
P&O European Transport Services Limited

Balance sheet
at 31 December 1995

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	10	335	374
Investments	11	20,174	20,174
		<u>20,509</u>	<u>20,548</u>
Current assets			
Debtors	12	65,298	53,506
Short term investments		4	4
Cash at bank and in hand		4,689	1,004
		<u>69,991</u>	<u>54,514</u>
Creditors: amounts falling due within one year	13	(29,534)	(15,387)
Net current assets		<u>40,457</u>	<u>39,127</u>
Total assets less current liabilities		<u>60,966</u>	<u>59,675</u>
Creditors: amounts falling due after more than one year	14	(28,811)	(27,826)
Provisions for liabilities and charges	15	139	104
Net assets		<u>32,294</u>	<u>31,953</u>
Capital and reserves			
Called up share capital	16	29,200	29,200
Profit and loss account	17	3,094	2,753
Shareholders' funds	18	<u>32,294</u>	<u>31,953</u>

These financial statements were approved by the board of directors on 11 July 1996 and were signed on its behalf by:

BP Stedman
Director



P&O European Transport Services Limited

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.

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:

Second-hand motor vehicles	-	3 years
New motor vehicles	-	4 years
Fixtures, fittings and office equipment	-	4-10 years
Computer equipment	-	4 years
Leasehold Property Improvements	-	Over period of 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.

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 R Watson & Sons, consulting actuaries, the latest completed valuation being as at 1 April 1994. Particulars of this actuarial valuation are contained in the accounts of The Peninsular and Oriental Steam Navigation Company. The next formal valuation is due to take place with an effective date of 1 April 1997. In the meanwhile, the charge for the year has been assessed in consultation with the scheme's actuaries, having regard to changes since the last valuation relating principally to investment conditions, UK taxation legislation and the sale of subsidiaries.

P&O European Transport Services Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the 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 invoiced (excluding value added tax) during the year.

Cash flow statement

The company is exempt from the requirement to include a cash flow statement as it is a wholly owned subsidiary of the Peninsular and Oriental Steam Navigation Company which is established under the law of a member state of the European Community and publishes a consolidated cash flow statement for the group.

2 Analysis of turnover

The turnover and profit before tax of the company is derived primarily from co-ordinating general management activities of the companies within the European Transport Services Division of P&O and from holding investments in a number of companies within this Division.

Turnover can be analysed, by geographical market, as follows:

	1995 £000	1994 £000
Turnover to third parties - UK	1	6
Sales to group companies	1,714	1,784
	<hr/>	<hr/>
	1,715	1,790
	<hr/>	<hr/>

3 Operating (loss)/profit

	1995 £000	1994 £000
<i>Operating (loss)/profit is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit fees	26	24
Non audit fees	1	-
Depreciation and other amounts written off tangible fixed assets	121	87
(Profit) on sale of other fixed assets	(4)	(13)
Rent receivable	(70)	(70)
Provision against investments (including loans)	2	(208)

P&O European Transport Services Limited

Notes (continued)

4 Remuneration of directors

	1995 £000	1994 £000
Directors' emoluments:		
As directors	619	514

The Chairman, Mr JR Steele, and Mr AD Barrett were paid by The Peninsular and Oriental Steam Navigation Company and Mr BMV Williams was paid by P&O Containers Limited, other companies in the P&O Group, without specific recharge. Accordingly, their emoluments are disclosed in the financial statements of these companies.

Mr RS Balme was an official of the Department of Transport and as such was not paid by any company within the P&O Group for his services to the company. Mr D McMillan is also an official of the Department of Transport and as such was not paid by any company within the P & O Group for his services to the company.

The emoluments, excluding pension contributions, of the highest paid director were £122,087 (1994:£103,371).

The emoluments, excluding pension contributions, of the directors (including the highest paid director) were within the following ranges:

	1995	1994
£0 - £5,000	5	4
£15,001 - £20,000	1	-
£30,001 - £35,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
£50,001 - £55,000	1	-
£55,001 - £60,000	2	1
£60,001 - £65,000	-	1
£65,001 - £70,000	2	1
£70,001 - £75,000	1	-
£75,001 - £80,000	-	1
£80,001 - £85,000	-	1
£95,001 - £100,000	-	1
£100,001 - £105,000	-	1
£114,001 - £120,000	1	-

Information in respect of directors' options is given under directors' share interests in the directors' report.

5 Staff numbers and costs

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

	1995	1994
Administration	15	17

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Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	785	707
Social security costs	95	79
Other pension costs	51	51
	<u>931</u>	<u>837</u>

6 Other interest receivable and similar income

	1995 £000	1994 £000
From group undertakings	2,383	1,336
Bank interest	1	625
	<u>2,384</u>	<u>1,961</u>

7 Interest payable and similar charges

	1995 £000	1994 £000
To group undertakings	1152	712
	<u>1152</u>	<u>712</u>

8 Taxation

	1995 £000	1994 £000
UK corporation tax at 33% (1994: 33%)		
- Current year	485	530
- Prior year	75	28
	<u>560</u>	<u>558</u>
Deferred taxation credit		
- Current year	(35)	(72)
	<u>525</u>	<u>486</u>

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Notes (continued)

9 Dividends

	1995 £000	1994 £000
Ordinary shares	8,084	10,402

10 Tangible fixed assets

	Computers Software/ Licences £000	Motor Vehicles £000	Fixtures, fittings, tools and equipment £000	Leasehold Property Improvements £000	Total £000
Cost					
At beginning of year	283	137	69		489
Additions	31	16	13	29	89
Intra-group transfers	-	-	-	-	-
Disposals	-	(24)	(3)	-	(27)
At end of year	314	129	79	29	551
Depreciation					
At beginning of year	42	31	42	-	115
Charge for year	71	40	10	-	121
Intra-group transfers	-	-	-	-	-
On disposal	-	(18)	(2)	-	(20)
	113	53	50	-	216
Net book value					
At 31 December 1995	201	76	29	29	335
At 31 December 1994	241	106	27	-	374

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Notes *(continued)*

11 Fixed asset investments

	Shares in subsidiary undertakings
<i>Cost</i>	
At beginning and end of year	20,429
	<hr/>
<i>Provisions</i>	
At beginning and end of year	255
	<hr/>
<i>Net book value</i>	
At 31 December 1995	20,174
	<hr/>
At 31 December 1994	20,174
	<hr/>

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Notes (continued)

11 Fixed asset investments (continued)

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

All of the subsidiaries are wholly owned. All of the interests represent holdings in the ordinary shares of the companies.

12 Debtors

	1995 £000	1994 £000
Amounts owed by group undertakings	64,971	53,325
Trade debtors	-	30
Other debtors	64	27
Prepayments and accrued income	263	124
	65,298	53,506
<i>The amounts owed by group undertakings comprise</i>		
Subsidiary undertakings	64,971	53,325
	64,971	53,325

Included in amounts owed by group undertakings are amounts of £25,441,036 (1994: £22,055,000) which are due after one year.

P&O European Transport Services Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1995		1994	
	£000	£000	£000	£000
Trade creditors		468		196
Amounts owed to group undertakings		27,826		14,171
Other creditors including taxation and social security:				
Corporation tax	342		544	
Taxation and social security	34		31	
Other creditors	226		-	
		<hr/>		<hr/>
		602		575
Accruals and deferred income		638		445
		<hr/>		<hr/>
		29,534		15,387
		<hr/>		<hr/>
<i>The amounts owed to group undertakings comprise</i>				
Parent and fellow subsidiary undertakings		19,467		8,590
Subsidiary undertakings		8,359		5,581
		<hr/>		<hr/>
		27,826		14,171
		<hr/>		<hr/>

14 Creditors: amounts falling due after more than one year

	1995	1994
	£000	£000
Amounts owed to group undertakings	28,811	27,826
	<hr/>	<hr/>
<i>The amounts owed to group undertakings comprise</i>		
Parent and fellow subsidiary undertakings	26,965	26,965
Subsidiary undertakings	1,846	861
	<hr/>	<hr/>
	28,811	27,826
	<hr/>	<hr/>

P&O European Transport Services Limited

Notes (continued)

15 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	104
Credit for the year in the profit and loss account	35
	<u>139</u>

The amounts of deferred taxation provided and the full potential liability are as follows:

	Amounts provided and full potential liability	
	1995 £000	1994 £000
Accelerated capital allowances	4	20
Short term timing differences	135	84
	<u>139</u>	<u>104</u>

16 Called up share capital

	1995 £000	1994 £000
<i>Authorised</i>		
30,000,000 ordinary shares of £1 each	30,000	30,000
<i>Allotted, called up and fully paid</i>		
29,200,000 ordinary shares of £1 each	29,200	29,200

P&O European Transport Services Limited

Notes (continued)

17 Reserves

Profit and loss account £000

At 1 January 1995	2,753
Retained profit for the year	341

At 31 December 1995	3,094
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18 Reconciliation of movements in shareholders' funds

	1995 £000	1994 £000
Profit for the financial year	8,425	10,837
Dividends	(8,084)	(10,402)
Net addition to shareholders' funds	341	435
Opening shareholders' funds	31,953	31,518
Closing shareholders' funds	32,294	31,953

19 Contingent liabilities

The company had no contingent liabilities at 31 December 1995 (1994: £Nil).

20 Commitments

	1995 £000	1994 £000
Contracted Property	471	-

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of The Peninsular and Oriental Steam Navigation Company which is incorporated in Great Britain.

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.