

INDEXREAL LIMITED

COMPANY REGISTRATION NO. 2251705

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996



**INDEXREAL LIMITED****REPORT OF THE DIRECTORS**

The directors present their annual report and the financial statements for the year ended 31 December 1996.

**Principal activity and review of business:**

The company's principal activity is that of an investment holding company. During the year and the preceding year no dividends or other income was received from the company's investments and consequently the company made neither a profit nor a loss.

**Directors and directors' interests:**

The directors who held office during the year were:

K W Timmermann	(resigned 1 July 1997)
J H Beazley	(resigned 1 July 1997)
H S Hungin	
R P Mountford	
R M Gradon	(appointed 1 July 1997)
N J Monteith	(appointed 1 July 1997)
M Owen	(appointed 1 July 1997)

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:

	<u>Deferred Stock</u>		<u>Deferred Stock under Option</u>	
	<u>31 Dec 96</u>	<u>31 Dec 95</u>	<u>Granted during the year</u>	<u>Exercised during the year</u>
K W Timmermann	£15,907	£11,959	-	£6,984
J H Beazley	£697	£1,169	£4,000	-

KPMG Audit Plc will retire as auditors of the Company at the forthcoming Annual General Meeting. A special resolution will be proposed at the meeting that auditors shall not be appointed, under the provisions of Section 250 of the Companies Act 1985.

79 Pall Mall  
London  
SW1Y 5EJ

On behalf of the Board



18 July 1997

M OWEN  
Director

INDEXREAL LIMITED

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 3, 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 4 to 7, 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 OF**

**INDEXREAL LIMITED**

We have audited the accounts on pages 4 to 7.

**Respective responsibilities of directors and auditors**

As described on page 2 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 its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London  
18 July 1997

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

INDEXREAL LIMITEDBALANCE SHEET AT 31 DECEMBER 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Investments	6	1	1
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	7	100	100
Creditors: amounts falling due within one year	8	(1)	(1)
		<hr/>	<hr/>
NET CURRENT ASSETS		99	99
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		100	100
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
		<hr/>	<hr/>
Equity shareholders' funds		2	2
Non-equity shareholders' funds		98	98
		<hr/>	<hr/>
Shareholders' funds		100	100
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 18 July 1997 and were signed on its behalf by N J Monteith.



N J MONTEITH  
Director

INDEXREAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

- (i) The accounts are prepared on the historical cost basis and in accordance with applicable accounting standards.
- (ii) 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 of a company which has produced a group cash flow statement in accordance with the provisions of the standard.
- (iii) Deferred taxation is provided on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that the difference in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

2. PROFIT AND LOSS ACCOUNT

During the financial year and the preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently, during those years, the company made neither a profit nor a loss and has no recognised gains nor losses.

3. DIRECTORS' EMOLUMENTS

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 (1995 - nil).

4. STAFF COSTS

The Company had no employees during the year (1995 - nil).

5. AUDITORS' REMUNERATION

Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company (1995 - nil).

INDEXREAL LIMITEDNOTES TO THE FINANCIAL STATEMENTS (cont'd)6. FIXED ASSET INVESTMENTS

	1996 £	1995 £
Shares at cost at 1 January 1996 and 31 December 1996	1	1

The fixed asset investment represents the cost of the ordinary share capital of Tribert Tankers Limited, a company registered in England and Wales.

In the opinion of the directors the value of the investment is not less than the amount at which it is shown in the balance sheet. The subsidiary has ceased to trade.

On acquiring the subsidiary company in 1988, the company was assigned, for a nominal sum, the benefit of a loan of US\$33 million due by the subsidiary. This amount was fully provided against on acquisition.

7. DEBTORS

	1996 £	1995 £
Sundry debtors	100	100

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Other creditors	1	1

**INDEXREAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

9. **SHARE CAPITAL**

	1996 £	1995 £
Authorised:		
902 ordinary shares of £1 each	902	902
2 "A" ordinary shares of £1 each	2	2
96 participating preference shares of £1 each	96	96
	<hr/> 1,000 <hr/>	<hr/> 1,000 <hr/>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	2	2
2 "A" ordinary shares of £1 each	2	2
96 participating preference shares of £1 each	96	96
	<hr/> 100 <hr/>	<hr/> 100 <hr/>

Non-equity shareholders' funds comprise 96 participating preference shares of £1 each and 2 "A" ordinary shares of £1 each.

The holders of the participating preference shares are entitled to a non-cumulative fixed dividend of 10% per annum (excluding tax credit), subject to their entitlement to a pro rata distribution, with the holders of the ordinary shares, of any profits which the company distributes not exceeding £7 million. On a winding up, they are entitled to the amount paid up on each share and the next £7 million of capital or assets, in priority to all other shareholders. There are no voting rights attached to the shares.

The holders of the "A" ordinary shares are entitled to a pro rata share of 1% of any profits which the company may determine to distribute exceeding £7 million. On a winding up they are entitled to the amount paid up on each share.

10. **CAPITAL COMMITMENTS**

There were no capital commitments at 31 December 1996 (1995: £Nil).

11. **ULTIMATE PARENT 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.