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P&O Netherlands B.V.

**Annual Report and Accounts
for the year ended
31 December 2004**



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Balance sheet as at 31 December 2004

(after proposed appropriation of net results)

		31 December 2004 GBP	31 December 2003 GBP
Goodwill	4	55,285	74,798
Financial fixed assets			
Participating interests in subsidiaries	5	79,778,485	160,794,490
Long-term debtors	6	365,872,940	292,816,784
		<u>445,651,425</u>	<u>453,611,274</u>
Current assets			
Debtors (due within one year)	7	5,787,091	44,286,440
Bank		412,991	237,472
Current liabilities			
Creditors (due within one year)	8	-4,302,414	-2,906,888
Net current assets/(liabilities)		<u>1,897,668</u>	<u>41,617,024</u>
Total assets less current liabilities		<u>447,604,378</u>	<u>495,303,096</u>
Long-term liability	9	-51,346,055	-85,120,365
Provision for negative equity of subsidiaries	10	-31,045,345	-26,433,461
Total assets less liabilities and provision		<u>365,212,978</u>	<u>383,749,270</u>
Capital and reserves	12	<u>365,212,978</u>	<u>383,749,270</u>

Profit and loss account for the year 2004

		31 December 2004 GBP	31 December 2003 GBP
Expenses			
Operating expenses		57,639	-56,671
Amortisation of goodwill	4	-19,513	-19,512
Provisions for loans to subsidiaries		-8,201,547	-3,194,291
Amounts receivable from subsidiaries written off		-852,192	-103,667
Non-recoverable dividend withholding tax		-26,777	-30,653
		<hr/>	<hr/>
		-9,042,390	-3,404,794
Financial income (expense)			
Share in profit/(loss) of participating interests	5	-8,838,015	-13,977,930
Profit on disposal of subsidiaries		3,247	342,337,521
Interest income		2,993,372	2,118,960
Dividend income		509,294	—
Interest expenses		-18,024	-55,540
Net exchange gain/(loss)		-1,186,980	2,298,176
		<hr/>	<hr/>
		-6,537,106	332,721,187
Profit/(loss) before taxation		-15,579,496	329,316,393
Taxation (charge)/credit	11	-1,259,004	-3,010,405
		<hr/>	<hr/>
Profit/(loss) after taxation	12	-16,838,500	326,305,988
		<hr/>	<hr/>

Notes to the annual accounts as at 31 December 2004

1 Relationship with parent company and principal activities

The Company is incorporated in The Netherlands. The entire issued share capital of the Company is ultimately owned by the Peninsular and Oriental Steam Navigation Company, United Kingdom.

The Company holds investments in and provides finance to a number of group companies.

2 Basis of presentation

The Company's accounts have been prepared in accordance with principles of accounting generally accepted in The Netherlands and in compliance with the provisions of Title 9 of the Dutch Civil Code, Book 2, applying the exemption of article 396.

The Company's accounts and those of its subsidiaries are included in the consolidated annual accounts of the Peninsular and Oriental Steam Navigation Company, a company incorporated in the United Kingdom.

The annual accounts of the Peninsular and Oriental Steam Navigation Company are filed with the Trade Registry of the Chamber of Commerce at Rotterdam. In accordance with article 408 (Title 9) Book II of the Netherlands Civil Code, the Company makes use of the exemption to prepare consolidated annual accounts.

3 Summary of significant accounting policies

3.1 Foreign currencies

Assets and liabilities including financial fixed assets expressed in foreign currencies have been translated to Sterling at the exchange rates ruling at the balance sheet date. Foreign currency transactions have been converted at exchange rates approximating those ruling at the time of the transactions. Exchange differences have been incorporated in the operating result for the year, except for differences resulting from the translation at closing rates of the investments in group companies carried at their underlying net equity values which are taken directly to reserves.

3.2 Financial fixed assets

Financial fixed assets comprise:

- investments in group companies where more than 20% of the issued share capital is held, at their net equity values. Dividends received reduce the carrying value of the related investment;
- investments in group companies where more than 20% of the issued share capital is held, but where no influence on the business and financial policies of the subsidiaries can be exercised, at their cost prices less any provision for impairment of value. Dividends received are reported through the profit and loss account;
- investments in group companies where less than 20% of the issued share capital is held, at their cost prices, less any provision for impairment of value. Dividends received are reported through the profit and loss account.

These values are determined in accordance with generally accepted accounting principles as recognised and applied in The Netherlands. The difference between the purchase price of an investment and its underlying net equity value is capitalised as goodwill and amortised on a straight-line basis over a period of five years, unless permanent impairment of goodwill justifies an immediate amortisation charge against the result for the year.

3.3 Other assets and liabilities

Other assets and liabilities are stated at nominal value except where a different basis of valuation has been indicated in annual accounts.

4 Goodwill

	GBP
Position 1 January 2004	74,798
Amortised during the year	-19,513
	<hr/>
Position 31 December 2004	55,285
	<hr/>

5 Participating interests in subsidiaries

	Investments > 20%, valued at net equity GBP	Investments < 20%, valued at cost GBP	Total GBP
Position 1 January 2004	159,055,896	1,738,594	160,794,490
Additions	388,686	—	388,686
Disposals	3,247	—	3,247
Attributable profit/(loss)	-8,838,015	—	-8,838,015
Dividends	-75,484,015	—	-75,484,015
Exchange difference resulting from translation	-2,211,624	—	-2,211,624
Movement of provision for negative equity of participating interests	4,611,884	—	4,611,884
Negative goodwill taken directly to revaluation reserve	513,832	—	513,832
Position 31 December 2004	78,039,891	1,738,594	79,778,485

A summary of the Company's principal subsidiaries is attached as Appendix A.

6 Long-term debtors

	2004 GBP	2003 GBP
Interest-bearing loans to group companies redeemable at call, with no fixed repayment date	109,272,426	22,846,006
Provision	-11,395,838	-3,194,291
	97,876,588	19,651,715
Interest-free loans to group companies redeemable at call, with no fixed repayment date	267,996,352	273,165,069
	365,872,940	292,816,784

Commencing 1 January 2005 £ 8,070,333 of South African Rand-denominated group loans ceased to be interest-bearing and became interest-free loans.

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The loans to group companies redeemable at call comprise various currencies, namely:

	2004	2003
	GBP	GBP
Sterling	317,667,954	286,141,558
Rand	15,024	6,635,854
Euros	48,189,962	39,372
	<u>365,872,940</u>	<u>292,816,784</u>

The actual interest rates charged during the year on the various currency loans were:

	2004	2003
	%	%
Sterling	5.40	0.00
Rand	10.30	12.00
Euros	3.67	3.75

7 Debtors

	2004	2003
	GBP	GBP
Receivable from group companies	5,619,281	44,129,844
Tax receivable	159,214	148,000
Other debtors	8,596	8,596
	<u>5,787,091</u>	<u>44,286,440</u>

8 Creditors

	2004	2003
	GBP	GBP
Other creditors and accrued expenses	65,417	143,530
Corporation tax payable	4,236,997	2,763,358
	<u>4,302,414</u>	<u>2,906,888</u>

9 Long-term liability

	2004 GBP	2003 GBP
Interest-free Sterling loan from a group company redeemable at call, with no fixed repayment terms	—	75,686,252
Interest-free Canadian dollar loan from a group company redeemable at call, with no fixed repayment terms	9,487,435	9,434,113
Interest-free Euro loan from a group company redeemable at call, with no fixed repayment terms	41,858,620	—
	<u>51,346,055</u>	<u>85,120,365</u>

10 Provision for negative equity participations

Movement during the year on provision for negative equity participations is as follows:

	Provision for negative equity participations EUR
1 January 2004	26,433,461
Transfer from participations	4,611,884
	<u>31,045,345</u>
31 December 2004	

11 Taxation

The Company is subject to United Kingdom corporation tax provisions. The Company's ultimate holding company, the Peninsular & Oriental Steam Navigation Company, has available, free group relief for UK corporation tax purposes. The Company has utilised free group relief as referred to above, with the result that the effective UK corporation tax rate, applied by the Company, differs from the nominal rate applicable in the United Kingdom.

12 Capital and reserves

The Company's authorised share capital comprises 13,220 shares of nominal value of EUR 453.78 (NLG 1,000) each and amounts to EUR 5,998,974 (GBP 4,245,558). The issued share capital amounts to EUR 3,031,252 (GBP 2,145,260) comprising 6,680 fully paid shares (2003: EUR 3,031,252/GBP 2,136,189). Referring to Article 178c, paragraph 1, Part 5 Book 2 of the Dutch Civil Code the nominal value per share in the Company's Articles of Association is denominated in Dutch Guilders.

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The movements in capital and reserves are as follows:

	Issued and paid-up share capital GBP	Share premium GBP	Legal reserve GBP	Revaluation reserve GBP	General reserve GBP	Total GBP
1 January 2003	1,976,044	4,284,797	22,018,329	–	224,432,011	252,711,181
Attributable profit	–	–	–	–	326,305,988	326,305,988
Transfers between reserves	–	–	-3,498,417	–	3,498,417	–
Exchange difference	160,145	–	–	–	4,571,956	4,732,101
Dividend	–	–	–	–	-200,000,000	-200,000,000
31 December 2003	2,136,189	4,284,797	18,519,912	–	358,808,372	383,749,270
1 January 2004	2,136,189	4,284,797	18,519,912	–	358,808,372	383,749,270
Attributable loss	–	–	–	–	-16,838,500	-16,838,500
Transfers between reserves	–	–	-665,929	–	665,929	–
Exchange difference	9,071	–	–	–	-2,220,695	-2,211,624
Negative goodwill on acquisition	–	–	–	513,832	–	513,832
31 December 2004	2,145,260	4,284,797	17,853,983	513,832	340,415,106	365,212,978

Share premium is translated at historical rate, exchange differences have been taken directly to general reserve. The legal reserve relates to the non-distributable legal reserves held by subsidiaries and the Company's participating interest in subsidiaries over which it has no controlling interest. The revaluation reserve relates to the excess of net assets acquired over purchase consideration paid on the acquisition of an investment in a financial fixed asset.

13 Employees

The Company had no employees at any time during 2004 (2003: nil).

14 Directors and supervisory directors

The Company has no supervisory directors. No remuneration (2003: nil) was paid to the Company's executive directors during the year.

15 Commitments and contingent liabilities

The Company and other group companies are party to an agreement with a financial institution, whereby overdraft facilities drawn down by one of the parties are jointly and severally guaranteed by the other parties to the agreement. The overdraft facility is guaranteed by the Company and amounts to GBP 14,154,282 (2003: GBP 14,094,433).

Corporation taxation in respect of non-Dutch subsidiaries has been provided by those subsidiaries, in accordance with the fiscal regimes in the countries of domicile.

The Company has issued a guarantee to a third party in respect of a lease commitment made by a subsidiary. The total amount guaranteed at 31 December 2004 was GBP 276,000 (2003: GBP 6,362,879), expiring as follows:

		2004 GBP	2003 GBP
2005	(2005)	276,000	4,796,831
	(Undated)	—	1,566,048
		<u>276,000</u>	<u>6,362,879</u>

The Company has guaranteed the continuance of the following subsidiaries:

- P&O Properties B.V., Rotterdam (until 31 December 2006)
- P&O North Sea Ferries B.V., Rotterdam (until 31 August 2006)
- P&O Ports Nationwide Cargo Terminals (Proprietary) Ltd., Durban (until 14 January 2006)
- HTC Hanseatic Trade Center GmbH & Co. Grundbesitz KG, Hamburg (until 30 October 2006).

Rotterdam, 25 November 2005

Directors:



D. Leonard



R.M. Gradon



P.A. Walker

Supplementary data

Statutory provisions of appropriation of profits

The Company's Articles of Association provide that the result for the year is at the disposal of the shareholder.

Appropriation of results

The Board of Directors proposes, in accordance with the Company's Articles of Association, that the loss for the year be deducted from the general reserve. This proposal has been reflected in the annual accounts.

Auditors' report

The auditors' report is set forth on the following page.



Auditors' report

Introduction

We have audited the accompanying 2004 annual accounts of P&O Netherlands B.V., Rotterdam. These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the annual accounts give a true and fair view of the financial position of the Company as of 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Dutch Civil Code.

Rotterdam, 25 November 2005

KPMG Accountants N.V.

Ref.: P.W.J. Smorenburg

A List of principal subsidiaries

Name	Residence	Participation	
		as at 31 December	
		2004 (in %)	2003 (in %)
Investments in group companies where more than 20% of the issued share capital is held, carried at net equity			
P&O Properties B.V.	Rotterdam, The Netherlands	100	100
P&O Garden City Investments B.V.	Rotterdam, The Netherlands	100	100
NorShips Beheer B.V.	Rotterdam, The Netherlands	49	49
NorShip Beheer II B.V.	Rotterdam, The Netherlands	49	49
P&O Ports Holdings N.V.	Antwerp, Belgium	100	100
P&O Ports Canada Inc.	Vancouver, Canada	100	100
P&O Ports Holdings GmbH	Duisburg, Germany	100	100
P&O France S.A.S.	Paris, France	100	100
P&O Holding GmbH	Hamburg, Germany	100	95.12
P&O Ports Nationwide Cargo Terminals (Pty) Ltd. (formerly P&O Ports Stevedoring S.A. (Pty) Ltd.)	Durban, South Africa	70	70
Technology Park BRNO A.S.	Brno, Czech Republic	50	50
Intex Shanghai Company Ltd.	Shanghai, China	30	30
MacKinnon MacKenzie & Co of Pakistan (Private) Ltd.	Karachi, Pakistan	30	30
P&O Containers Pakistan (Private) Ltd.	Karachi, Pakistan	30	30
Shekou Container Terminals Ltd.	Shekou, China	25	25

Name	Residence	Participation		Equity as at	Result
		as at 31 December		31 December	
		2004	2003	2004	2004
		(in %)	(in %)	GBP	GBP
Investments in group companies where less than 20% of the issued share capital is held, carried at cost					
Laem Chabang International Terminal Company Ltd.	Laem Chabang, Thailand	10	10	2,876,341	857,277