

P&O SCOTTISH FERRIES SHIP MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31st December 1998.

DIRECTORS

The composition of the Board of Directors is as follows:-

G D S Dunlop
T C Cairns

DIRECTORS' SHAREHOLDINGS

The interests of Mr G D S Dunlop and T C Cairns are disclosed in the accounts of the holding company.

BUSINESS

The company has not traded during the year. On 23rd December 1998 the name of the company was changed from North of Scotland Orkney and Shetland Shipping company Ltd to P&O Scottish Ferries Ship Management Ltd. It began trading on 1 January 1999.

AUDITORS

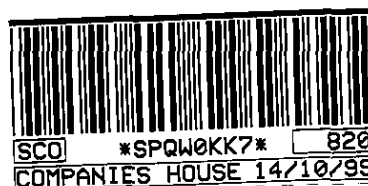
At the Annual General Meeting held in 1982, it was resolved that in accordance with Section 12 of the Companies Act 1981, auditors shall not be appointed to the Company.

BY ORDER OF THE BOARD



Secretary

15 OCTOBER 1999
Jamieson's Quay
Aberdeen
AB11 5NP

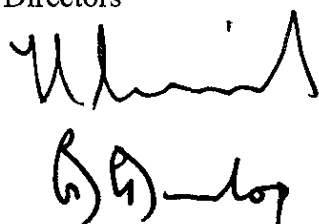


P&O SCOTTISH FERRIES SHIP MANAGEMENT LIMITEDBALANCE SHEET AT 31 DECEMBER 1998

	<u>1998</u> £	<u>1997</u> £
CURRENT ASSETS		
Amount owed by ultimate holding company	<u>£ 400,000</u>	<u>£ 400,000</u>
 CAPITAL AND RESERVES		
Called up share capital	400,000	400,000
Share premium account	-	-
Capital reserve	-	-
Profit and loss account	-	-
	<u>400,000</u>	<u>400,000</u>
 CREDITORS (due within one year)		
Amount owed to ultimate holding company	-	-

Within the meaning of Section 12 of the Companies Act 1981 the company was dormant throughout the financial year

Directors



£ 400,000

£ 400,000

NOTES

1. The company has not traded during the year, has received no income, has incurred no expenditure and consequently has made neither a profit nor a loss.
2. Share capital, authorised, allotted, called up and fully paid at 31 December 1998 and 1997 was:

	<u>Authorised</u>	<u>Called Up</u>
Ordinary shares of £1 each	<u>£ 400,000</u>	<u>£ 400,000</u>

3. The company's ultimate holding company is The Peninsular and Oriental Steam Navigation Company, incorporated in England by Royal Charter.