

P&O Scottish Ferries Ship Management Limited

**Directors' report and financial
statements**

Registered number 10350

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activity of the company is the provision of technical services personnel provided for the management of ships.

Business review

As the turnover of the company was equal to the secondment charges payable by them there was no profit or loss reported for the year.

Year 2000

The company has addressed the impact of the Year 2000 on its business and operations by reviewing the major issues to assess exposure. Plans were put in place to seek to ensure the elimination of these exposures prior to the Year 2000 and the directors are confident that all internal systems have successfully made the transition into the Year 2000.

Given the potential nature of the problem, the directors will continue to monitor the systems over the forthcoming months and remain vigilant over the leap year period. The directors are confident that the company has achieved business as usual and will provide resources to deal promptly with any issues that might arise.

Euro

The first phase of the introduction of the Euro is not expected to have any significant implications for P&O Scottish Ferries Ship Management Limited.

Dividend

The directors recommend that no dividend is paid.

Directors and directors' interests

The directors who held office during the year were as follows:

GDS Dunlop (Chairman)
TC Cairns

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Directors' Report *(continued)*

Directors and directors' interests *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A Robertson
Secretary

19 July 2000

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 year. 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; and
- 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

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Report of the auditor to the members of P&O Scottish Ferries Ship Management Limited

We have audited the financial statements on pages 5 to 8.

Respective responsibilities of the director 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 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 July 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £000
Turnover	2	428
Secondment charges		(428)
Profit for the financial year		-

There is no material difference between the profit for the financial year as reported and that calculated on an unmodified historical cost basis.

There are no recognised gains or losses for the financial year.

Balance sheet
at 31 December 1999

	<i>Note</i>	1999	
		£000	£000
Current assets			
Cash at bank and in hand		443	
Creditors: amounts falling due within one year	3	(43)	
Net current assets			400
Total assets less current liabilities			400
Capital and reserves			
Called up share capital	4		400
Profit and loss account			-
			400

These financial statements were approved by the board of directors on 19 July 2000 and were signed on its behalf by:



TC Cairns
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.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of The Peninsular and Oriental Steam Navigation Company, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Peninsular and Oriental Steam Navigation Company, within which this company is included, can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3HZ.

2 Analysis of turnover

Turnover represents fees charged to P&O Ship Management (Bermuda) Limited for technical services provided by fleet staff and fees charged to P&O Scottish Ferries (Bermuda) Limited for recruitment services provided by fleet staff regarding the recruitment of sea staff.

	1999 £000
Turnover:	
Technical services	424
Recruitment services	4
	<hr/> 428 <hr/>

3 Creditors: amounts falling due within one year

	1999 £000
Amounts owed to group undertakings	43
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4 Share capital

	1999 £000
Authorised, allotted, called up and fully paid 400,000 Ordinary shares of £1 each	400
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Notes (continued)

5 Ultimate holding company

The company's ultimate holding company is The Peninsular and Oriental Steam Navigation Company, which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by The Peninsular and Oriental Steam Navigation Company. The consolidated financial statements of The Peninsular and Oriental Steam Navigation Company are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3HZ.

No other group financial statements include the results of the company.