

153044

Anderson Hughes and Company Limited

**Directors' report and financial
statements**

Registered number 00153044

31 December 2003



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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity and results for the year

The company's principal activity was to receive commissions arising from shipbroking. The board of directors resolved to close the business on 13 November 2003, and notices of termination of employment were subsequently given to all employees on 17 November 2003. The business has been wound down thereafter, fulfilling obligations created prior to the decision to close. Trading ceased on 26 March 2004.

As the directors do not intend to find a replacement trade, they have not prepared the financial statements on a going concern basis. Accordingly all fixed assets have been written down to their estimated residual value, and adjustments have been made to write down other assets to their net realisable value.

The company made a loss for the year after tax of £1,763,886 (2002: loss of £304,538).

Dividends

The Directors do not propose to pay a dividend (2002: nil).

Directors

The Directors who served during the year were:

R H Bird	(resigned 8 April 2004)
R H Brewer	(resigned 31 December 2003)
J R Burrage	(resigned 8 April 2004)
J R I Mavor	(resigned 31 December 2003)

Subsequent to the year end, PA Walker and RM Gradon were appointed as directors on 1 January 2004, and S Scott was appointed a director on 14 June 2004.

Directors' interests

No individual who was a Director at the year-end had any interests in the shares of any group company, other than the following interests in the £1 Deferred Stock of the ultimate parent company, The Peninsular and Oriental Steam Navigation Company:

	£1 Deferred Stock		£1 Deferred Stock under option	
	31 December 2003	31 December 2002	Granted during the year	Exercised during the year
RH Bird	911	862	-	-
RH Brewer	8,944	12,562	66,976	-
JR Burrage	1,530	1,475	-	-
JRI Mavor	3,721	3,521	-	-

The Directors receive awards of deferred stock depending on the performance of the group headed by The Peninsular and Oriental Steam Navigation Company over a two year retention period following the year in which an original bonus-related award is earned. The Directors may also receive annual grants of stock options under a group ESOP.

Directors' report *(continued)*

Auditors

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

By order of the board



S Scott
Director

79 Pall Mall
London
SW1Y 5EJ

5/10/ 2004

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; 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. The directors have general responsibility for taking such steps as are open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

kpmg

PO Box 695
8 Salisbury Square
London EC4Y 8BB

Report of the independent auditors to the members of Anderson Hughes and Company Limited

We have audited the financial statements on pages 5 to 15, which, as described in note 1, have not been prepared on a going concern basis.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors 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 1985. 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 audit 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 affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

S Ockler 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	1,292,486	1,414,997
Cost of sales		(1,293,484)	(1,479,869)
		<hr/>	<hr/>
Gross loss		(998)	(64,872)
Administrative expenses		(619,559)	(338,646)
		<hr/>	<hr/>
Operating loss		(620,557)	(403,518)
Interest receivable and similar income	6	34,449	29,224
Interest payable and other similar charges	7	(44,923)	(49,053)
Provision for loss on discontinued operations	3	(980,034)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(1,611,065)	(423,347)
Tax on loss on ordinary activities	8	(152,821)	118,809
		<hr/>	<hr/>
Loss for the financial year		(1,763,886)	(304,538)
		<hr/>	<hr/>

The results for the current year derive solely from discontinued operations.

The company has had no recognised gains and losses for either the current year or the prior year, other than those detailed above. There is no difference between the results as disclosed above and those under a historical cost basis.

The notes on pages 7 to 15 form part of these financial statements.

Balance sheet

at 31 December 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	9		37,315		175,671
Investments	10		8,229		8,229
			<u>45,544</u>		<u>183,900</u>
Current assets					
Debtors	11	145,827		523,459	
Cash at bank and in hand		1,369		449,310	
		<u>147,196</u>		<u>972,769</u>	
Creditors: amounts falling due within one year	12	(1,251,619)		(1,331,287)	
Net current liabilities			(1,104,783)		(358,518)
Provision for liabilities and charges	13		(879,625)		-
Net liabilities			<u>(1,938,504)</u>		<u>(174,618)</u>
Capital and reserves					
Called up share capital	14		320,000		320,000
Profit and loss account	15		(2,258,504)		(494,618)
Shareholders' deficit			<u>(1,938,504)</u>		<u>(174,618)</u>

The financial statements were approved by the board of directors on behalf by:

5/10/ 2004 and were signed on its



PA Walker
Director

The notes on pages 7 to 15 form part of these financial statements.

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 historical cost accounting rules.

As the company's principal activity ceased during the year and the directors do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis. Accordingly all fixed assets have been written down to their estimated residual value, and adjustments have been made to write down the assets to their net realisable value.

The parent company referred to in note 19 has formally indicated it will provide the company with sufficient funding to enable it to meet liabilities as they fall due, for at least the next 12 months.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirements to prepare group accounts.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The Peninsular and Oriental Steam Navigation Company and its cash flows are included within the consolidated cash flow statement of that company.

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with related parties where over 90% of voting rights are controlled within the group headed by The Peninsular and Oriental Steam Navigation Company, whose consolidated accounts, in which the company is consolidated, are available from the address given in note 19.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into sterling at rates ruling at the balance sheet date. Exchange differences have been included in the profit and loss account.

Fixed assets and depreciation

As the company has ceased trading, it does not hold any assets for continued use in the business. Accordingly, all fixed assets have been written down to their residual value.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pension scheme

Contributions to the group pension scheme are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing defined benefit pensions is charged to the profit and loss account on a systematic basis over the periods benefiting from the services of employees.

Notes (continued)

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments are stated at cost less any provision for impairment of value.

2 Turnover

No analysis of turnover or loss before taxation by class of business has been given as the company was involved in one activity only.

The geographical analysis of turnover by markets is as follows:

	2003 £	2002 £
United Kingdom & Republic of Ireland	672,795	802,390
Continental Europe	149,056	138,629
Australia, Far East and Pacific	70,600	77,840
USA and Canada	155,257	125,098
Other	244,778	271,040
	<u>1,292,486</u>	<u>1,414,997</u>

3 Loss on ordinary activities before taxation

	2003 £	2002 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	145,818	61,902
Rental charge under operating leases	94,350	55,754
Audit fee	12,000	13,300
Loss on sale of fixed assets	129	1,588
Exchange (gains)/losses	(11,209)	2,489
Provision for loss on discontinued operations	980,034	-
	<u>980,034</u>	<u>-</u>

The decision to terminate the operations of the company was made public on 17 November 2003. The business ceased trading on 26 March 2004.

In accordance with FRS3, the company has provided for all estimated costs of terminating operations and estimated future losses on the discontinued operations.

The effect of this exceptional item is to increase the tax credit for the year by £294,010.

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2003	2002
Chartering and shipbroking	23	27

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	922,817	1,043,459
Social security costs	89,248	91,028
Pension costs	414,589	149,225
Redundancy costs	495,943	-
	<u>1,922,597</u>	<u>1,283,712</u>

The company participates in the funded UK P&O Pension Scheme ("the scheme"), which is a defined benefit scheme.

The latest full actuarial valuation of the scheme was at 1 April 2000 using the projected unit method and was carried out by qualified independent actuaries. Particulars of this valuation and the updated valuation as at 31 December 2002 referred to below can be found in the consolidated accounts of The Peninsular and Oriental Steam Navigation Company for the year ended 31 December 2003. The pension charge in the company for the year was £126,589 (2002: £149,225). In addition, a provision of £288,000 (2002: £nil) has been booked for pension deficit funding. The pension charge for the year was based on this latest full actuarial valuation in accordance with SSAP 24 (Accounting for pension costs). The agreed contribution rate to the scheme was set at 21.2% with effect from 1 January 2001.

For the purposes of the accounting disclosure requirements of Financial Reporting Standard 17 (Retirement benefits), the valuation of the scheme was updated to 31 December 2003 by qualified independent actuaries. The market value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, was £1,119,000,000 (2002 £1,034,000,000), and the present value of the scheme's liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain were £1,392,000,000 (2002 £1,286,000,000), giving rise to a scheme deficit of £273,000,000 (2002: £252,000,000), before taking into account any deferred tax asset.

However, the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. It is therefore accounting for contributions to the scheme as if it were a defined contribution scheme for FRS 17 purposes. The company is one of a number of participating employers in the scheme, and the implications of any surplus or deficit in the scheme and the implications of any surplus or deficit in the scheme are considered on a group basis.

Notes *(continued)*

5 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	244,153	204,882
Pension contributions	36,648	37,329
Compensation for loss of office	172,919	-
	<u>453,720</u>	<u>242,211</u>

The aggregate emoluments of the highest paid director was £161,368 (2002: £152,046). In addition, he is a member of a defined benefit scheme, under which his accrued pension at the year end was £35,386 (2002: £32,206), and he received compensation for loss of office of £127,148.

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	3	3
	<u>-</u>	<u>-</u>
The number of directors who exercised share options	-	-
	<u>-</u>	<u>-</u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	4	4
	<u>4</u>	<u>4</u>

Long term incentive schemes:

Full details of both schemes are given in the financial statements of the ultimate parent company that can be obtained from the address given in note 19.

The Directors receive awards of deferred stock depending on the performance of the group headed by The Peninsular and Oriental Steam Navigation Company over a two year retention period following the year in which an original bonus-related award is earned. The Directors may also receive annual grants of stock options under a group ESOP.

No payments were made under the scheme in the current or prior year.

Notes (continued)

6 Interest receivable and other similar income

	2003 £	2002 £
Income from unlisted investments	1,860	1,860
Bank interest	32,589	27,364
	<u>34,449</u>	<u>29,224</u>

7 Interest payable and other similar charges

	2003 £	2002 £
Interest payable to group undertakings	44,923	46,564
Loss on exchange	-	2,489
	<u>44,923</u>	<u>49,053</u>

8 Taxation

The tax (charge)/credit in the profit and loss account represents:

	2003 £	2002 £
<i>UK corporation tax</i>		
Current tax credit on income for the period	-	109,995
Underprovision in respect of prior years	(140,199)	-
	<u>(140,199)</u>	<u>109,995</u>
Total current tax (charge)/credit	(140,199)	109,995
Deferred tax		
Origination and reversal of timing differences	(12,622)	8,814
	<u>(152,821)</u>	<u>118,809</u>
Tax on loss on ordinary activities	(152,821)	118,809

The standard rate of UK corporation tax for the year is 30% (2002: 30%). The current tax charge for the current year is higher (2002: lower) than the standard rate for the reasons set out in the following reconciliation:

Notes (continued)

8 Taxation (continued)

	2003 £	2002 £
Loss on ordinary activities before taxation	(1,611,065)	(423,347)
Current tax at 30% (2002: 30%)	483,320	127,004
<i>Effects of:</i>		
Capital allowances for the year in excess of depreciation	3,274	4,940
Other timing differences (primarily pension provision)	(86,400)	(8,814)
Expenses not deductible for tax purposes	(42,824)	(13,135)
Tax losses not utilised	(357,370)	-
Adjustments to tax charge in respect of prior years	(140,199)	-
Total current tax (charge)/credit (see above)	(140,199)	109,995

A deferred tax asset of £86,400 (2002: £109,995) arising primarily from other timing differences and tax losses carried forward is not recognised as the directors do not consider it likely to be recoverable against future taxable profits

9 Tangible fixed assets

	Office equipment £	Motor vehicles £	Total £
<i>Cost</i>			
At 1 January 2003	364,847	131,183	496,030
Additions	12,412	-	12,412
Disposals	(11,767)	(16,970)	(28,737)
At 31 December 2003	365,492	114,213	479,705
<i>Depreciation</i>			
At 1 January 2003	266,520	53,839	320,359
Charge for year	26,990	18,195	45,185
Disposals	(11,767)	(12,020)	(23,787)
Write down of assets	76,434	24,199	100,633
At 31 December 2003	358,177	84,213	442,390
<i>Net book value</i>			
At 31 December 2003	7,315	30,000	37,315
At 31 December 2002	98,327	77,344	175,671

All fixed assets were written down to the amount at which they were subsequently sold for in 2004.

Notes (continued)

10 Fixed assets - Investments

	Subsidiary company £	Unlisted investment £	Total £
Cost less provision for impairment at 1 January 2003 and 31 December 2003	2,318	5,911	8,229

The company owns 100% of the 2000 £1 Ordinary shares in its dormant subsidiary, PRA Chartering & Trading Co Ltd, registered in England and Wales.

The company also owns 100% of the 264,193 Ordinary shares in H E Moss & Co Ltd, which is a company registered in England and Wales.

11 Debtors: amounts falling due within one year

	2003 £	2002 £
Trade debtors	134,934	273,261
Corporation tax: Group tax relief receivable	-	153,278
Other debtors	10,893	27,429
Prepayments and accrued income	-	56,869
Deferred taxation	-	12,622
	<u>145,827</u>	<u>523,459</u>

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	38,103	184,660
Amounts owing to parent undertakings	-	20,429
Loan from parent undertaking	931,273	931,273
Amounts owing to subsidiary undertakings	128,908	128,908
Social security	-	4,203
Accruals and deferred income	104,105	61,814
Bank overdraft	49,230	-
	<u>1,251,619</u>	<u>1,331,287</u>

Notes (continued)

13 Provision for liabilities and charges

	2003 £
At beginning of year	-
Charged in the year (note 3)	980,034
Utilised in the year	(100,409)
At end of year	879,625

14 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
350,000 Ordinary shares of £1 each	350,000	350,000
<i>Allotted, called up and fully paid</i>		
320,000 Ordinary shares of £1 each	320,000	320,000

15 Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	2003 £	2002 £
At beginning of year	320,000	(494,618)	(174,618)	129,920
Loss for the financial year	-	(1,763,886)	(1,763,886)	(304,538)
At the end of year	320,000	(2,258,504)	(1,938,504)	(174,618)

16 Capital commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and Buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	1,250	14,373	1,250	4,983
In the second to fifth years inclusive	78,727	-	-	4,141
Over five years	-	-	78,727	-
	79,977	14,373	79,977	9,124

Full provision has been made for the future lease obligations included within the above commitments.

Notes (continued)

17 Contingent liability

Under a group arrangement with its bankers the company has issued a cross guarantee of the obligations of other companies in the P&O Group to its bank. The maximum potential liability of the company under this arrangement is the positive balance on its own bank account at any point in time.

18 Subsequent events: related party transaction

In December 2003 JRI Mavor, a director of the company at the date of this transaction, agreed to purchase a car from the company for £9,000. The net book value of the car in the company's books at that date was £23,550, hence a charge of £14,550 has been booked in the results of the company for the year.

19 Parent company

The company's ultimate parent company is The Peninsular and Oriental Steam Navigation Company, which is incorporated by Royal Charter in the United Kingdom. The address from which copies of the ultimate parent company's accounts can be obtained is as follows:

The Registrar of Companies
Companies House
21 Bloomsbury Street
London
WC1B 3XD