



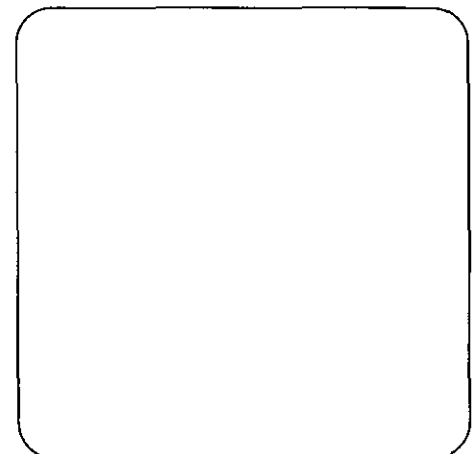
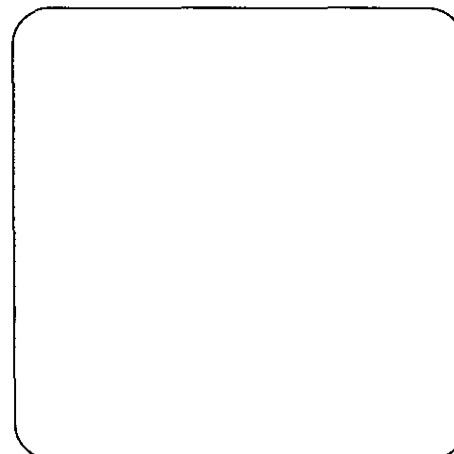
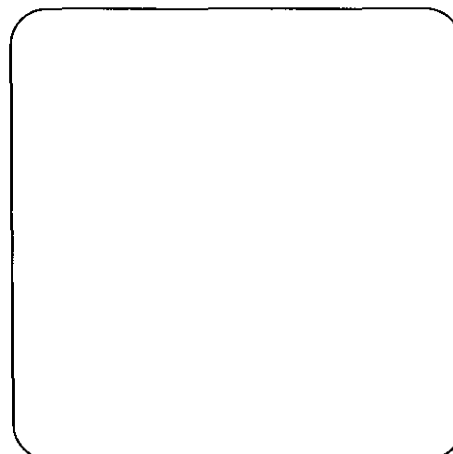
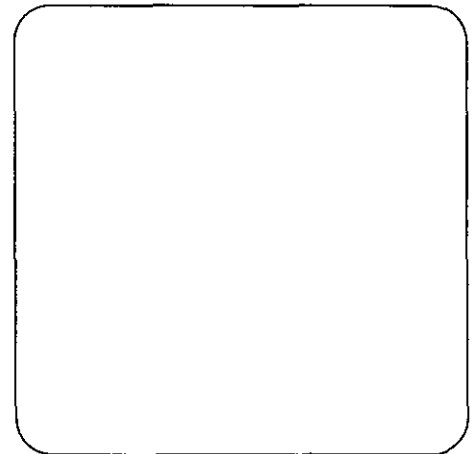
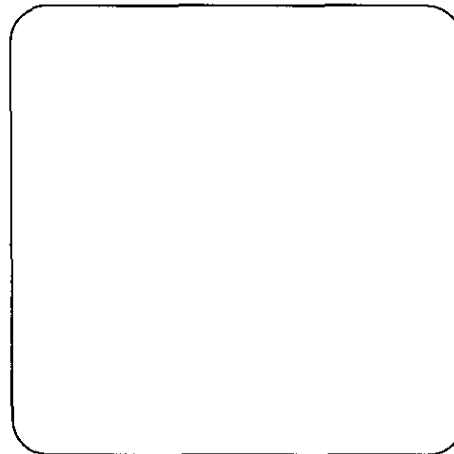
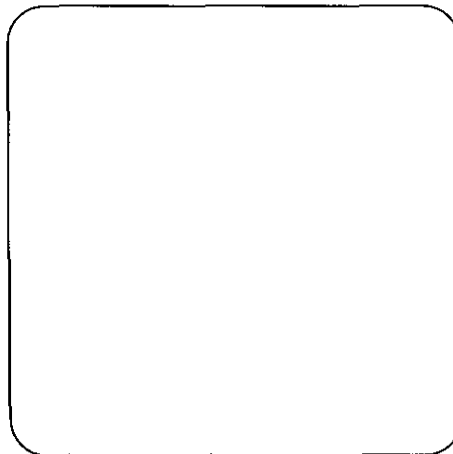
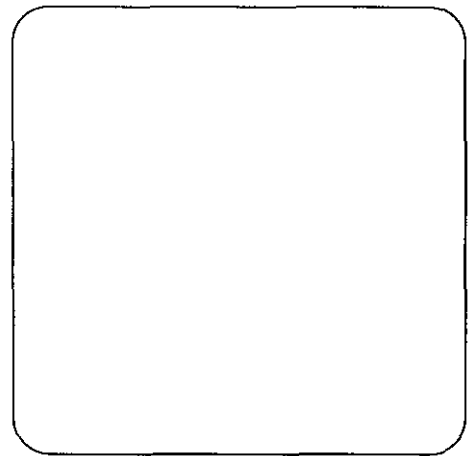
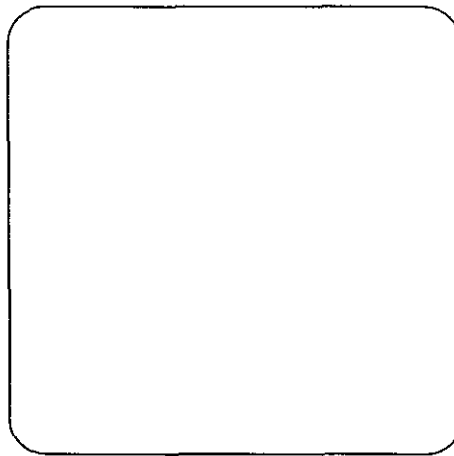
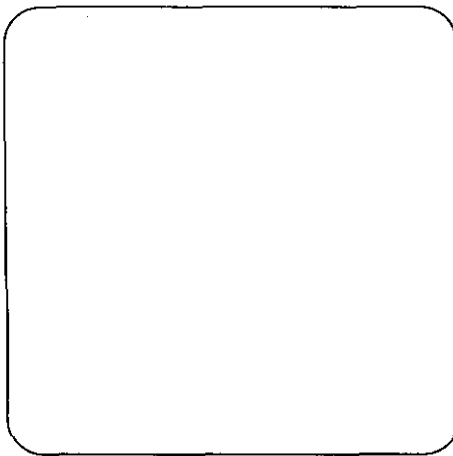
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## Ocean's purpose

- To build shareholder value through consistently increased earnings
- To be a world leader in global logistics, offering
  - **coverage** with a strong presence in every major economy
  - **capability** through a broad range of integrated logistics services
  - **consistency** in service delivery and quality
- To exploit growth opportunities for our environmental services business
- To attract, retain, develop and motivate high calibre people in all areas of our business world-wide

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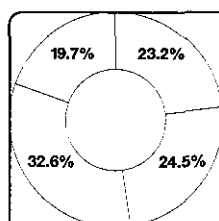
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## Financial highlights

- Sixth consecutive year of underlying earnings growth:
  - Operating profit (excluding Cory Towage) up 33.9%
  - Earnings per share up 10.2% (basic EPS fell 5.0%)
- Strong progress in underlying operating profit by both main businesses:
  - MSAS Global Logistics ahead 50.3% with Americas/Pacific up 93.2%, Asia up 44.6%, Europe/Africa up 33.8%
  - Cory Environmental advanced 9.3% with good contribution from Municipal Services
- Further strategic acquisitions take total committed spend since May 1997 to £400m
- Pending sale of Cory Towage for £81.8m
- Recommended merger with NFC announced on 21 February 2000

NFC plc changed its name to Exel plc on 23 February 2000

	1999 £m	1998 £m	% inc
Turnover	1,771.2	1,326.7	33.5
Operating profit*			
Ongoing operations (including acquisitions)	73.9	55.2	33.9
Cory Towage	11.2	11.7	(4.3)
Total	85.1	66.9	27.2
Net interest (payable)/receivable	(1.6)	16.2	–
Pre-tax profit*	83.5	83.1	0.5
Earnings per share*	41.0p	37.2p	10.2
Dividend per share	19.55p	17.95p	8.9
*Underlying, excluding: goodwill amortisation	(7.1)	(1.7)	
exceptional costs	(3.8)	–	



### Turnover by territory

- UK 23.2%
- Rest of Europe and Africa 24.5%
- Americas, Australasia and Japan 19.7%
- Asia 19.7%

1995	14.33	24.4
1996	15.20	28.2
1997	16.60	32.5
1998	17.95	37.2
1999	19.55	41.0

### Underlying earnings and dividends per share

- Underlying earnings per share – pence
- Dividends per share – pence



**MSAS Global Logistics** brings together all the Group's logistics operations under a unified brand offering customised supply chain management solutions from a broad range of service capabilities.

The global service network extends across some 670 locations in more than 120 countries. It serves 62% of the world's top 250 companies (excluding financial services).

Services are focused on key market sectors characterised by higher value products, an international dimension and long-term growth potential: high-technology (particularly IT/telecoms), healthcare/pharmaceuticals, fast moving consumer goods, textiles/international retail, automotive, high value engineering and food.

The principal services provided by MSAS Global Logistics are:

### What is Logistics?

The planning, implementation and management of integrated flows of materials, information and finance.

**Global & regional logistics management:** air freight & sea freight forwarding, customs broking, ground-based distribution, dedicated & multi-user warehousing.

**Added value services:** inventory control; product assembly, configuration, customisation, testing, recall & repair; after-sales service; management of free-trade zones; time-definite delivery; information management, tracking & tracing; transport & vendor management; logistics solutions design and implementation.

**Specialist mail and express services:** worldwide processing and distribution of printed matter (Mercury), worldwide packing and air freight for newspapers and magazines (Higgs), international premium express service (Marken).



**Cory Environmental** is an established UK environmental service company operating in 24 locations throughout the country.

Its waste management business includes seven active landfill sites with business administration centres in Essex, Gloucestershire and Staffordshire. Activities also include recycling, composting, waste transfer and energy from waste. Its tug and barge fleet on the River Thames handles c 15% of London's municipal waste.

Its municipal services business provides tailor-made refuse collection, street cleansing, recycling and ancillary services to seven local authorities.

In 1999 Ocean continued to build its global logistics capabilities organically and by acquisition. This has enabled us to provide our customers with an ever increasing level of sophistication in our logistics skills in line with their needs.

The opportunity to merge our business with that of NFC creates a company which will be a world leader in the provision of global integrated logistics solutions. The combined entity will have the management and financial resources to exploit the significant growth potential of the global logistics sector.

Turning to our results for 1999, it is pleasing to report that turnover, excluding Cory Towage, increased by 34.3%. Underlying pre-tax profit was up slightly on 1998's profits, even after the interest impact of returning some £103 million to shareholders as announced at the end of 1998. The more appropriate measure of our performance, underlying earnings per share, increased by 10.2% (basic EPS fell by 5.0%). Ocean shareholders will receive a second interim dividend of 13.2p per share payable on 2 May 2000, bringing the total for the year to 19.55p per share, an increase of 8.9%.

During the year £271m was committed to acquisitions and other capital expenditure. In January 2000 we announced an agreement for the sale of Cory Towage for £81.8 million, which is expected to be completed shortly.

Net borrowings at the end of the year and before the sale of Cory Towage amounted to £152.1m.

#### Operations

Ocean has continued to expand its global logistics capabilities and the acquisition of Mark VII in August significantly increased our transportation network in the US. The rebranded MSAS Global Logistics had an excellent year and achieved underlying operating profit growth of 50.3%.

We have also enhanced our Environmental business with a major acquisition and this division contributed 16.6% of Group underlying operating profits. Cory Towage, which has been a steady contributor, is being sold because we saw little opportunity to further develop the business.

#### Directors

Very sadly in June, Frank Knight had to resign from the Board for medical reasons. His wise counsel and perceptive wit is much missed.

At the beginning of this month Jean-Claude Guez joined the Board as a non-executive director. He has had a distinguished career with Andersen Consulting and will bring considerable IT knowledge and experience to the Board, as well as a European perspective.

#### Staff

Our employees have again contributed considerably to Ocean's growth. The merger with NFC should provide exciting new opportunities for the employees of both companies.

#### Outlook

We look forward to the future with confidence. The proposed merger with NFC will create a group with a combined turnover of £3.5bn, operating profits of £176m and total employees of 52,000. The new company will have greater ability to exploit the opportunities being created in the logistics market by rapid technological change, the internet and the growth in e-commerce. I hope shareholders will support the Board's recommendation to carry out this merger.

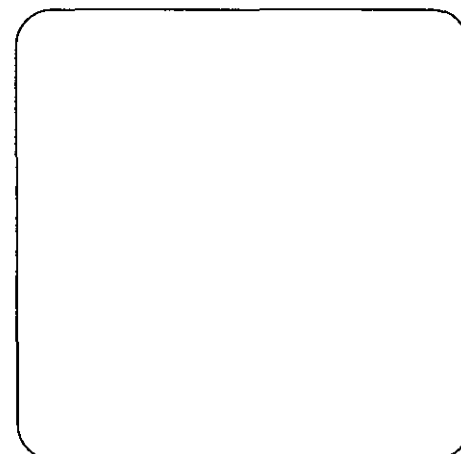
#### Nigel Rich CBE

Chairman  
20 February 2000



**The opportunity to merge our business with that of NFC creates a company which will be a world leader in the provision of global integrated logistics solutions.**

Nigel Rich CBE  
Chairman



We made further significant progress in 1999 with a strong advance in turnover (+33.5%) and underlying operating profit (+27%, +33.9% excluding Cory Towage), some strategically important acquisitions and an agreement for the sale of Cory Towage.

## Review of operations

### MSAS Global Logistics (MSAS)

A combination of strong organic growth and a material contribution from acquisitions grew MSAS' turnover and operating profit by 36.7% and 50.3% respectively. Particularly good performances were achieved in Germany, Hong Kong, Korea, Singapore and the US.

Export airweight increased by 13%, following a fall of 1.3% in 1998, as trade flows recovered particularly out of South East Asia. Mark VII, our US multi-modal transport logistics company, has performed well since its acquisition in August and has delivered business gains through customer cross selling with other MSAS businesses. Our third party logistics business has expanded its warehouse capacity significantly with a number of new facilities in Australia, Continental Europe, Hong Kong and the UK.

A number of e-commerce initiatives were introduced, including the launch of the Supply Chain Integrator, an IT system

providing track and trace, inventory analysis and interrogation capabilities through the Internet.

In September we acquired a Dutch based international sea freight forwarder, Malenstein while in December agreement was reached for the acquisition of Aerocar, one of Sweden's leading air and sea freight forwarders. These businesses will strengthen our network.

Our three regional groupings, Europe/Africa, Americas/Pacific and Asia produced increases in operating profit of 33.8%, 93.2% and 44.6% respectively. Europe was impacted by a disappointing result from UK air freight forwarding as a consequence of weak UK exports. Americas/Pacific, even without Mark VII, advanced by 29.7% with strong business gains. Asia benefited from a powerful advance by Hong Kong where profits were over twice that for the previous year.

### Cory Environmental

Operating profit was ahead 9.3% with improved results from Municipal Services and a three month contribution from Parkhill Reclamation, acquired in September for £41m. This business doubles Cory Environmental's landfill capacity. During the year planning applications were filed for the restoration of the Mucking landfill site and the

construction and operation of an energy from waste plant in Bexley.

### Cory Towage

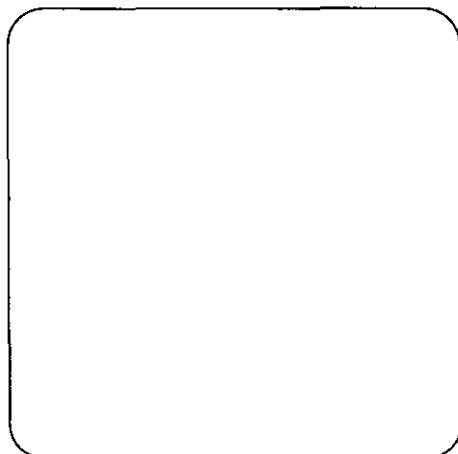
Lower volumes in Liverpool, loss of the Cabinda contract in December 1998 and a fall in the contribution from the associate companies resulted in a 4.3% fall in operating profit to £11.2m. In December we reached agreement with Wijsmuller for the sale of this company. A mature business, it has limited growth prospects and the sale is a logical move in our increasing focus on the development of our logistics activities.

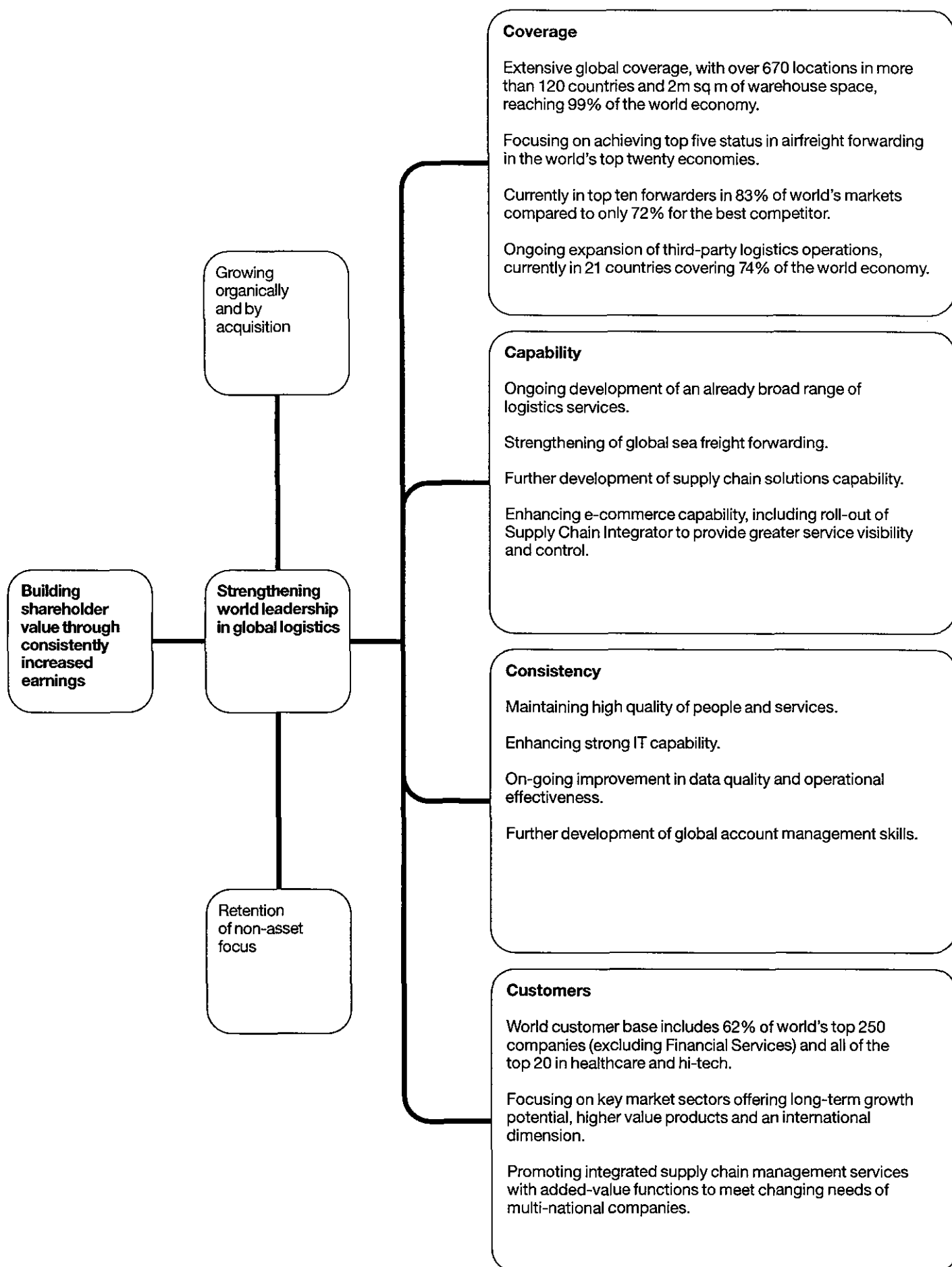
### Strategic progress

We continued to make strong strategic progress in 1999 towards our prime goal of being a leader in the rapidly developing global logistics market. Our air freight network now has virtually total global coverage and we are working hard to build a comparably strong position in sea freight. Our third party logistics operations extend now to 21 countries representing 74% of the world's economy and we are about to enter two more countries. We now do business with 62% of the top 250 global companies (excluding Financial Services) and believe that we have huge scope to develop our business with these major corporations.

**Ocean's consistently strong performance in the last five years has been due to the commitment, energy and ability of our people.**

**John Allan**  
Chief Executive





1999 also saw significant progress in the development of capability and consistency. Key to both is the quality and effectiveness of our IT and our people. In 1999 we invested in both. At the end of the year we announced 'Supply Chain Integrator', a new web-based e-commerce system designed to give comprehensive supply chain control and information to us and our clients. This new system has proved to be a potent advantage in winning new business in the early part of 2000.

## People

Ocean's consistently strong performance in the last five years has been due to the commitment, energy and ability of our people. I would like to thank all of our team which averaged 16,700 over the year and is growing, for the contribution they have made to the results we achieved in 1999.

## Shareholder value

The creation of shareholder value remains a key objective for our management team. We have outperformed the FT-SE mid 250 in every one of the last five years and have generated a total shareholder return over that period four times greater than the mid 250 as a whole.

## Prospects

Our goal and focus remain unchanged. We operate with a strong position in a growing and attractive market. We are, however, very conscious that much remains to be done if we are to remain at the forefront of this exciting opportunity. We believe we have the people and the financial capacity to continue to make strong progress both in 2000 and beyond. Nevertheless, we are delighted to announce the recommended merger with NFC, a combination which represents an excellent fit due to the complementary nature of the two operations and which would significantly accelerate the strategies of both companies to create a world leader in the provision of global integrated logistics solutions.

## John Allan

Chief Executive  
20 February 2000

*John Allan*

### Total shareholder return (TSR) %

1995	19.4	45.9
1996	16.4	30.4
1997	10.1	26.2
1998	4.2	30.1
1999	36.4	55.8

#### Annual

Ocean has outperformed the FT-SE mid 250 in each of the last five years

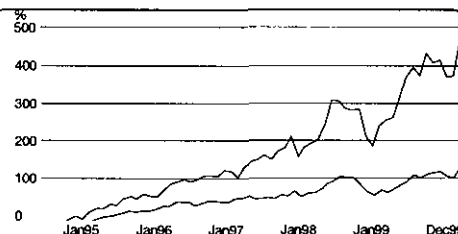
#### Cumulative

Over the last five years Ocean has generated a cumulative TSR over four times greater than the FT-SE mid 250 as a whole

Total shareholder return is share price appreciation with dividends reinvested

■ Ocean  
■ FT-SE mid 250

Source: Datastream





# 1997

- |             |                                                    |             |                                                         |
|-------------|----------------------------------------------------|-------------|---------------------------------------------------------|
| <b>Mar</b>  | New 7,600sq m logistics centre in Kuala Lumpur     | <b>July</b> | Acquisition of Marken, premium express courier          |
| <b>May</b>  | Sale of O.I.L. offshore support business for £326m | <b>Sept</b> | Subsidiary formed in Denmark                            |
| <b>May</b>  | Acquisition of The Waste Company                   | <b>Nov</b>  | 6,000 sq m Latin America gateway centre opened in Miami |
| <b>May</b>  | Blue Skies JV established in India                 | <b>Dec</b>  | JV established in Chile                                 |
| <b>July</b> | Stake in Hungarian business taken to 100%          |             |                                                         |

# 1998

- |             |                                                                 |             |                                                                  |
|-------------|-----------------------------------------------------------------|-------------|------------------------------------------------------------------|
| <b>Jan</b>  | Acquisition of Intexo (67%), European gateway logistics company | <b>June</b> | Acquisition of Mercury, media sector logistics company, for £34m |
| <b>Jan</b>  | 51% stake in Brazilian agent                                    | <b>July</b> | US strategic alliance with Caliber Systems                       |
| <b>Feb</b>  | New US Fashion Division set up                                  | <b>July</b> | 80% stake taken in Cassin Group, Irish logistics company         |
| <b>Mar</b>  | Acquisition of Oslo Havnslager, Norwegian warehouse business    | <b>July</b> | Acquisition of Skyking, US domestic air freight forwarder        |
| <b>Mar</b>  | New 2,100 sq m logistics centre for Antwerp                     | <b>Sept</b> | Acquisition of Ellicot, waste incineration business              |
| <b>Apr</b>  | JV set up in China                                              | <b>Oct</b>  | Acquisition of A W Fenton, US customs broker                     |
| <b>May</b>  | New subsidiary formed in Sweden                                 | <b>Dec</b>  | Acquisition of Dutch Air, air freight forwarder                  |
| <b>June</b> | Acquisition of Laker Cargo, French air freight forwarder        |             |                                                                  |

# 1999

- |             |                                                                                           |             |                                                                                     |
|-------------|-------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------|
| <b>Jan</b>  | Launch of MSAS Global Logistics brand                                                     | <b>July</b> | Additional 23,000 sq m warehouse opened at Bawtry                                   |
| <b>Jan</b>  | New 12,000 sq m warehouse expansion at Stanton                                            | <b>Aug</b>  | Acquisition of Mark VII, US multi-modal transportation logistics company, for £154m |
| <b>Mar</b>  | New 7,400 sq m multi-user warehouse opened in San Francisco                               | <b>Sept</b> | Acquisition of Parkhill Reclamation, landfill company, for £41m                     |
| <b>June</b> | New 11,100 sq m expansion for Cherwell pharmaceutical centre                              | <b>Sept</b> | Opening of European Shared Services Centre at Dublin                                |
| <b>June</b> | Opening of 7,500 sq m dedicated pharmaceutical centre in Madrid                           | <b>Sept</b> | Acquisition of Malenstein, Dutch based sea freight forwarder                        |
| <b>July</b> | Agreement for new 10,500 sq m logistics centre at Hemel Hempstead to serve Kodak contract | <b>Oct</b>  | Announcement of Supply Chain Integrator e-commerce initiative                       |

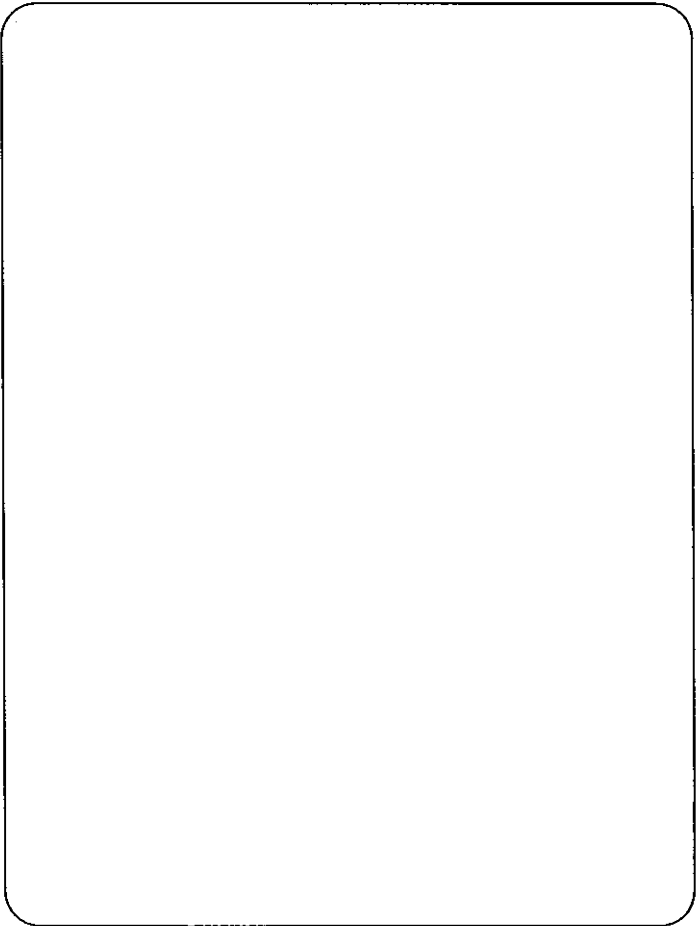
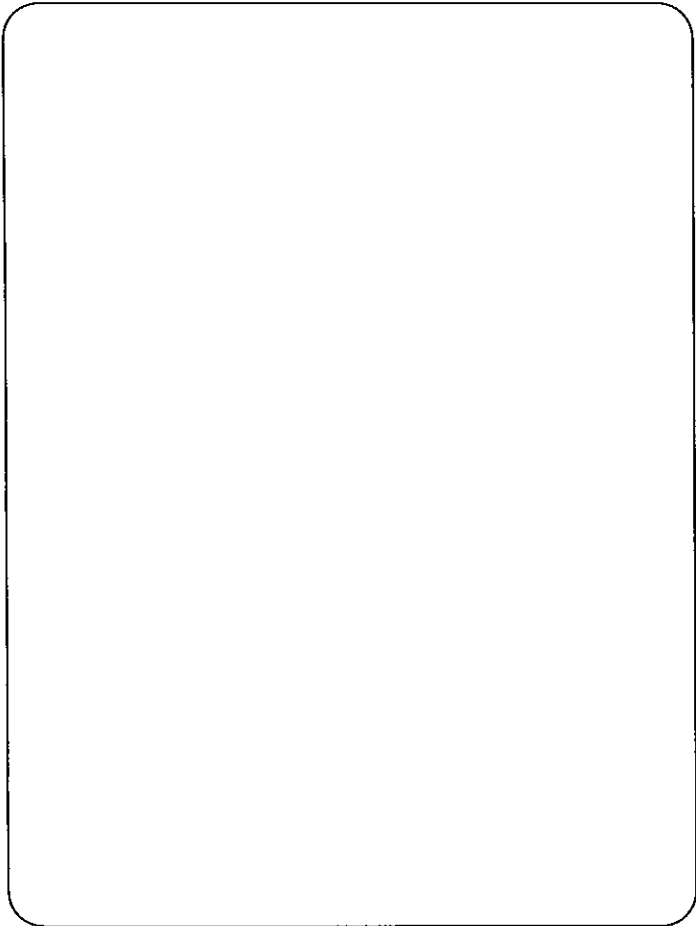
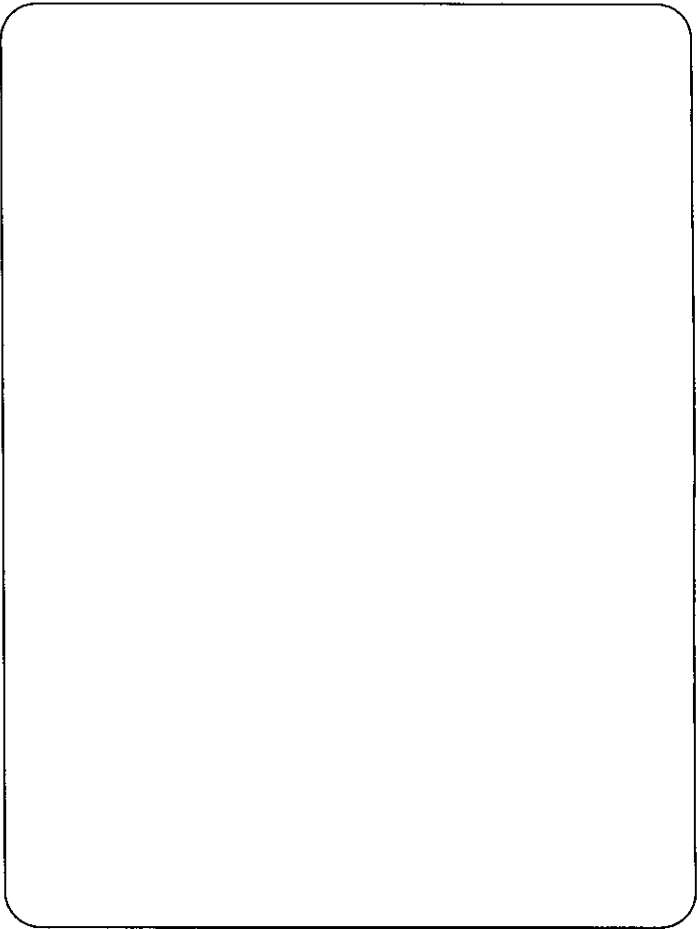
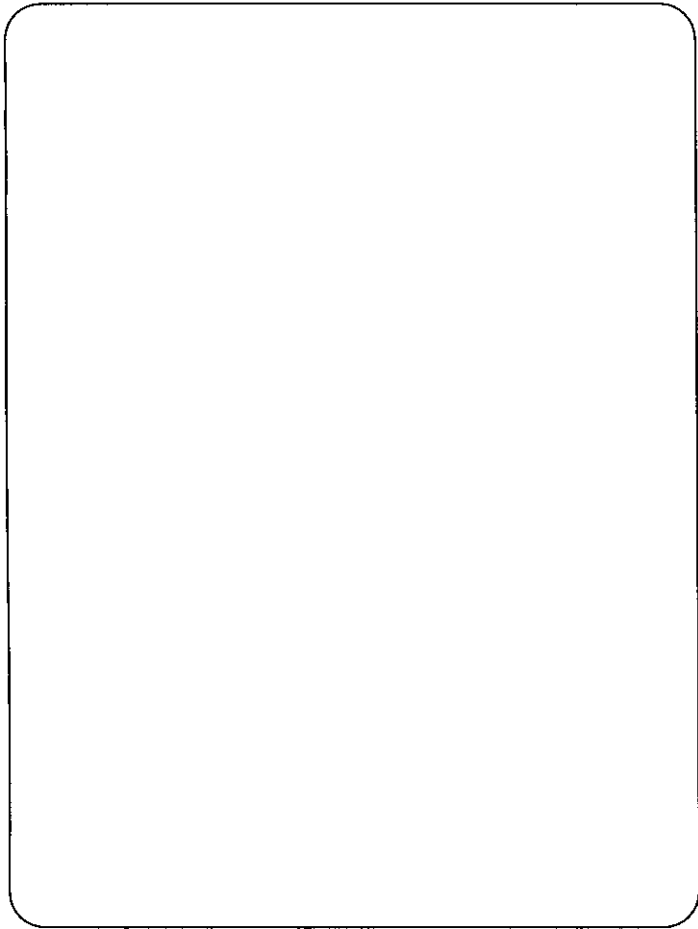
# 2000

- |            |                                                                                |            |                                                                   |
|------------|--------------------------------------------------------------------------------|------------|-------------------------------------------------------------------|
| <b>Jan</b> | Ground-breaking ceremony for new 15,000 sq m logistics hub at Penang, Malaysia | <b>Feb</b> | Pending acquisition of Aerocar, Swedish air/sea freight forwarder |
| <b>Feb</b> | Pending sale of Cory Towage for £82m                                           | <b>Feb</b> | Announcement of proposed merger with NFC (now named Exel)         |

**Global Logistics – a dynamic, challenging,  
high growth market supporting demanding  
multi-national companies.**

Drivers of global logistics growth:

- expansion of world trade
- globalisation of multi-national companies and growth in global outsourcing
- demands for shorter cycle times and reduced inventories leading to increased supply chain velocity
- increase in product customisation
- technological developments, particularly in e-commerce

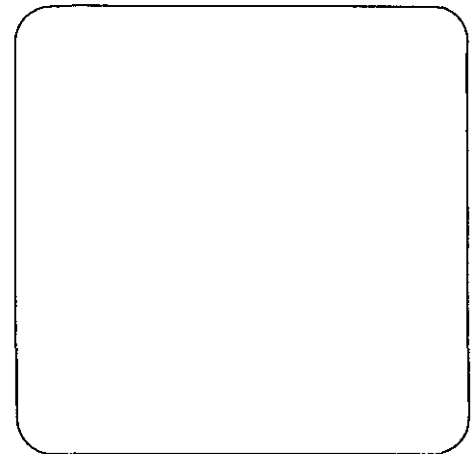
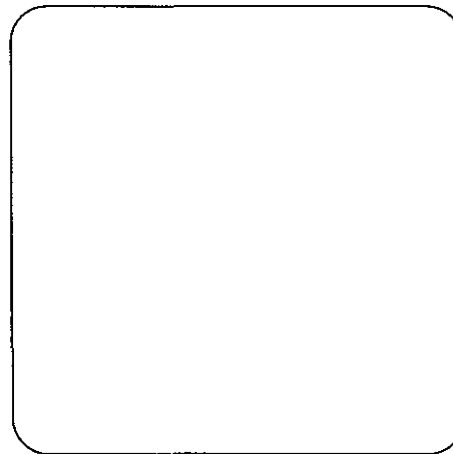
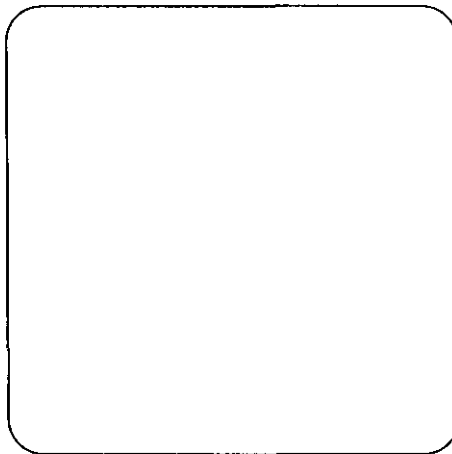
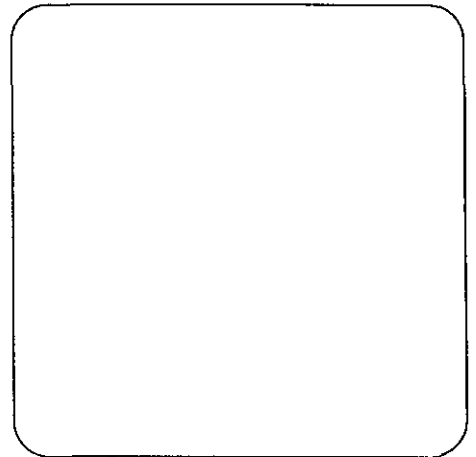
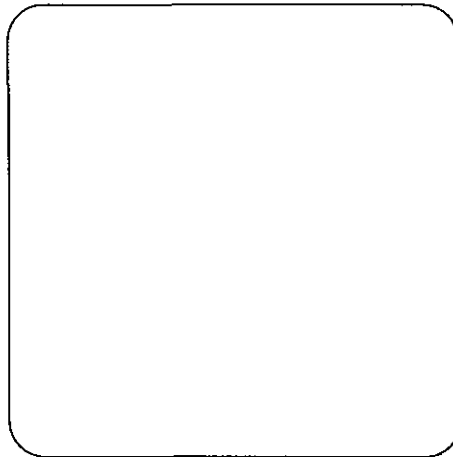
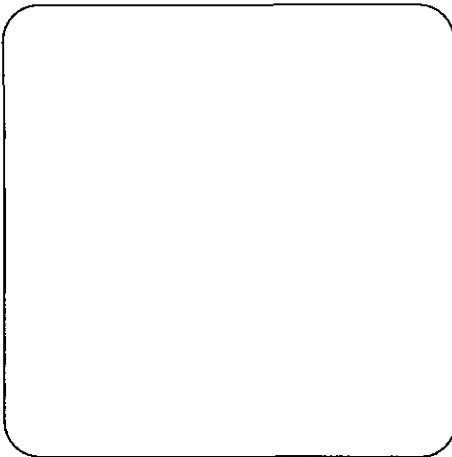


**Winning global companies need winning logistics solutions.**

Customers want fewer logistics providers with greater capabilities:

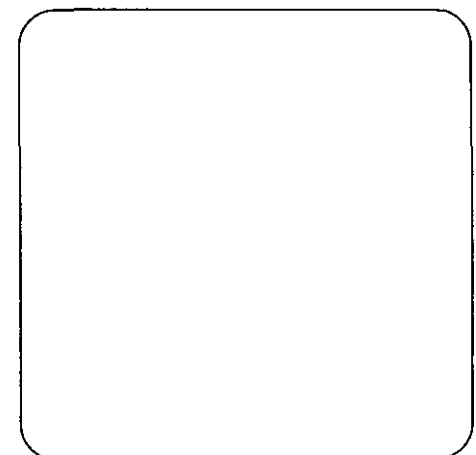
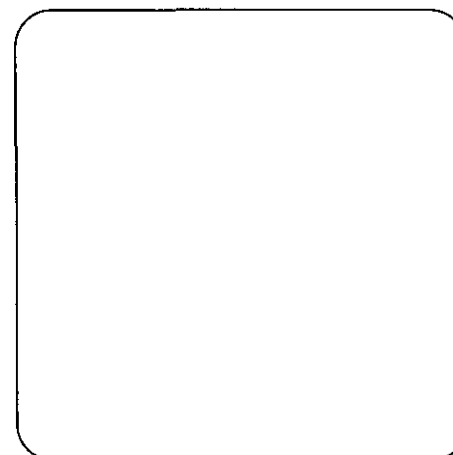
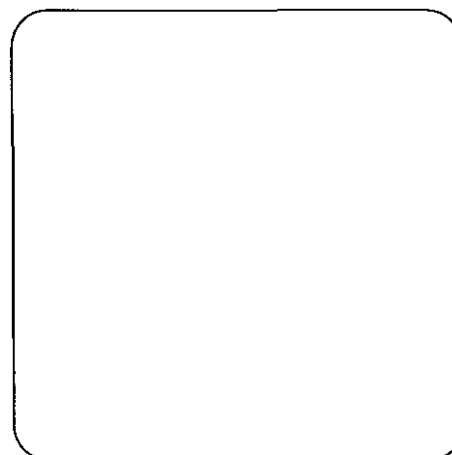
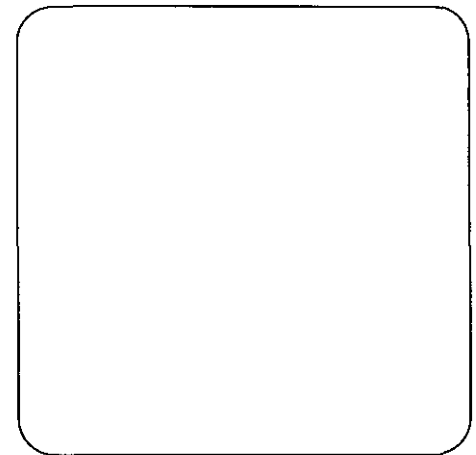
- broad, integrated range of services
- global coverage and consistency
- high IT skills providing quality information
- global management competence

**MSAS Global Logistics has the winning formula to satisfy demanding world class customers.**



**MSAS Global Logistics offers:**

- extensive range of added value services supported from c 2m sq m of warehouse space worldwide
- unrivalled global network covering 99% of the world economy
- strong IT capability with advanced e-commerce applications
- quality global management serving the world's leading companies



**Launch of new MSAS Global Logistics brand**

**Acquisitions made in US (Mark VII), Netherlands (Malenstein) and pending in Sweden (Aerocar)**

**New logistics centres opened in Australia, France, Hong Kong, Portugal, Spain, US**

**Expansion at three major UK warehouse facilities added 46,100 sq m**

**New logistics centre projects underway in Germany, Malaysia, Netherlands and UK**

**European Service Centre opened in Dublin**

**Launch of Supply Chain Integrator e-commerce system**

**Strong flow of new business gains**

An excellent year for MSAS Global Logistics saw turnover increased by 36.7% to £1,645m – 21.0% from acquisitions including a full year impact of 1998 acquisitions and 15.7% from existing business. Underlying operating profit increased by 50.3% to £49.0m – 27.0% from acquisitions and 23.3% from existing business. Currency impact was minimal.

The growth was reflected in an increase in our global service network to over 670 locations in more than 120 countries.

The segmental analysis of MSAS Global Logistics (as reported in note 1 to the accounts) has been modified slightly from previous years. The SSAP 24 pensions credit has been separately identified and the central costs allocated on the basis of turnover. We believe this information will be more meaningful.

**Operational highlights**

A good advance in international airweight in the second half of the year, with strong organic growth from new business with existing customers, produced a total increase for the year of 13% (excluding acquisitions) compared to an ICAO estimate for the market of 6%. The total number of domestic and international air shipments rose by 15.5%, partly due to the inclusion of a full year's results from

Skyking. Average weight per air shipment saw a 7.7% increase.

Regional performance was led by Americas/Pacific with a 93.2% advance in underlying operating profit, a combination of the contribution from acquisitions and a buoyant US economy with continued high demand for hi-tech goods. Ongoing recovery in the Asian economies produced a 44.6% improvement in underlying operating profit from that region, entirely from organic growth. Europe/Africa advanced by 33.8% with an excellent performance from Germany and good results from third party logistics (3PL) operations in the UK and Iberia. Weaker performances came from UK freight forwarding and France.

During the year our warehouse capacity was significantly increased through expansion in the UK at the Banbury pharmaceutical centre and the Stanton and Bawtry facilities and a combination of expansions and new developments in Australia, France, Hong Kong, Portugal and Spain.

Capital expenditure during the year amounted to £44.2m, the major items being £7.1m for the Bawtry expansion and £6.3m for the new Kodak distribution centre at Hemel Hempstead.

**An excellent year for MSAS Global Logistics with both existing business and acquisitions contributing to increases in turnover and underlying operating profit of 36.7% and 50.3% respectively.**

**1** MSAS' 23,000 sq m facility at Antwerp, from where Sony ITE's pan-European distribution is managed.

**2** Expansion at MSAS' site in Nijmegen, The Netherlands, will make it one of the largest logistics centres in Europe dedicated to the healthcare market.

**3** The flow of information is as critical as the flow of goods in the global supply chain programme managed for Hitachi.

**4** GPS technology is used to track shipments for customers such as Hitachi.



### Global brand

The launch of the MSAS Global Logistics worldwide brand in January 1999 brought together all the Group's logistics businesses under a unified identity to meet customer needs for comprehensive, seamless, supply chain management solutions, implemented on a local, regional or global scale.

### E-commerce

Technology is playing a driving role in the effective communication of logistics information – supply chains throughout the world are being revolutionised by the Internet. Over 1999 our usage of Internet e-mail grew from 5,000 messages a day to 13,000. EDI messages from and to airlines increased by 30% and 39% respectively, while from and to customers the increases were 90% and 200% respectively.

MSAS' strategy to exploit developments in business-to-business (B2B) e-commerce was highlighted in October with the announcement of a major IT initiative in supply chain integration (SCI). This new SCI system draws information from multiple data sources and presents it in an integrated format available through the Internet. Key features are the ability to track and trace goods across different logistics providers and across multi-modal transport, to

provide a consolidated, multi-location inventory analysis and to generate proactive management reports.

In-vehicle computers, which were introduced to MSAS' UK operation in June, are being deployed across Europe as part of a global supply chain visibility programme for Hitachi. The computers capture all information relating to pick-up and delivery and upload it direct to MSAS' host system, Unison. A direct link between Unison and Hitachi's own SAP system provides proof of pick-up and delivery to Hitachi in real time.

This new system includes a wealth of new and evolving technologies, including the latest global positioning satellite (GPS) technology to track shipments and, for high value shipments, a virtual fence along a vehicle's route with an alarm triggered on any deviation from that route.

There has been a strong focus on working with customers on web based technology in the US. Rapid development work has been carried out with a number of clients to provide e-commerce solutions for tracking, inventory enquiry and order placement with many solutions linked directly from the customers' own web sites.

While MSAS' principal focus is on B2B e-commerce there are also a number of developments in the business to consumer (B2C) sector. A trial is running

with the Foreign & Commonwealth office under which MSAS has set up the Government's first e-commerce venture providing an ordering service for publications on the Internet.

### Europe and Africa

Turnover increased by 16.1% to £725m – 7.4% from acquisitions and 8.7% from existing business. Underlying operating profit increased by 33.8% to £21.4m – 19.4% from acquisitions and 14.4% from existing business.

Excellent progress has been achieved in Europe with a strong focus on the hi-tech and healthcare sectors. Intexo now operates under the names of MSAS Hi-Tech Logistics and MSAS Healthcare Services. Major developments in the healthcare sector include a new 7,500 sq m dedicated pharmaceuticals warehouse in Madrid serving Pharmacia & Upjohn and Fresenius to add to existing healthcare sites currently in Nijmegen, The Netherlands and Cherwell, UK.

Work has commenced to extend the Nijmegen site to accommodate new customers such as Dentsply as well as increased demand from existing customers, particularly Abbott Laboratories. When completed in May 2000 the 19,000 sq m extension will make Nijmegen one of the largest logistics centres for healthcare products in Europe.

**Logistics Board**

Under the chairmanship of  
Chief Executive **John Allan**  
this Board comprises:

**John Coghlan**  
Group Finance Director

**Graham Fish**  
Regional Chief Executive  
Western Europe, Middle East and Africa

**Mick Fountain**  
Regional Chief Executive  
Americas/Pacific

**C K Lee**  
Regional Chief Executive  
South and East Asia

**Vic McDonald**  
Group IT Director

**Ian Smith**  
Group Commercial Director

**Chris Stephens**  
Group HR Director

**Sjoerd Vollebregt**  
Regional Chief Executive  
Central and Eastern Europe

MSAS was selected to provide comprehensive transportation and logistics services for Sony ITE's (Information Technology Europe) operations covering about 1 million computer display units per year. The MSAS logistics programme integrates inbound air, sea and surface transportation with inventory control and pan-European distribution via the 23,000 sq m MSAS network logistics facility in Antwerp, Belgium.

In 1999, MSAS was also selected to support the European supply chain operations of Eastman Kodak. The five year warehousing contract includes the construction of a 6,500 sqm fully automated and part temperature controlled high bay warehouse in Hemel Hempstead, UK, with operations due to commence in June 2000.

MSAS was awarded a European management contract for Packard Bell NEC's monitor replacement service coordinated from our centre at Schiphol, The Netherlands. A logistics and kitting operation for Mobistar was initiated by MSAS Hi-Tech Logistics at Mechelen, Belgium. Other major new contracts gained during the year include Shell, Biro Bic, Guinness, Gillette, Somerfield and Asda.

In September MSAS acquired Malenstein, a Dutch based international sea freight forwarder, significantly strengthening the sea freight network.

In early December agreement was reached, subject to regulatory approval,

for the acquisition of Aerocar, one of Sweden's leading air and sea freight forwarders. This will establish MSAS as one of the key players in the Swedish market.

In June MSAS announced that financial transaction processing for European freight management operations was to be transferred from each country, by means of a phased rollout programme, to a single business service centre in Dublin, to improve operating efficiency and reduce costs.

Work continued in Africa on developing our logistics presence, supporting in particular the oil and gold field industries.

**Americas/Pacific**

Turnover increased by 82.9% to £570m – 66.0% from acquisitions and 16.9% from existing business. Underlying operating profit increased by 93.2% to £14.3m – 78.3% from acquisitions and 14.9% from existing business.

Customer demand and the integration of acquired businesses in the US has resulted in MSAS establishing 12 new locations, including the opening of a 7,400 sq m multi-user warehouse in San Francisco in March, and a 5,500 sq m warehouse in Cleveland in July.

MSAS US has strengthened its position in telecommunications, in particular the mobile telecom market:

**1** Waterford Crystal entrusted MSAS with its most expensive and prestigious project ever - transporting the crystal for New York's millennium ball, the centrepiece of Times Square's celebrations.

**2** The European Service Centre in Dublin, to handle financial transactions processing for Europe, opened in September.

customer gains included Raychem and Ericsson. Other major new contracts included On Command, Apple Computers, General Instruments and The Limited.

MSAS Chile gained 164 new customers, increasing the total number of clients by 25%. They included Cientecc and Adexus, two substantial Chilean companies representing Sun Microsystems and Compaq.

In September, MSAS acquired Mark VII, the second largest non-asset based provider of road and rail freight services in the US and with a strong transport management capability. It has significantly enhanced our North American resources.

Frito-Lay, one of the world's largest snack food producers, selected Mark VII to manage programmes including inbound raw materials from across the US into processing plants, outbound finished goods from processing plants to distribution centres, packaging and seasoning consolidation. Mark VII has achieved a reduction of costs for Frito-Lay each successive year, as well as a reduction of plant downtime hours and increased productivity.

1999 saw rapid organic growth in MSAS Australia and New Zealand's 3PL services with four new facilities, Villawood, Melbourne, Auckland and Alexandria, totalling over 11,000 sq m. They provide warehousing, distribution, repair,

packaging and kitting services to Foxtel, Telstra and Alstom, complementing MSAS' air freight and brokerage services.

MSAS Adelaide became fully operational during 1999, replacing a former agent. Adelaide is of particular significance as it serves as a major base for the RAAF, one of MSAS Australia's key customers.

#### Asia

Turnover increased by 30.8% to £350m, all from existing business. Underlying operating profit increased by 44.6% to £13.3m.

Encouraging progress was made in targeting the consumer product sector with a growing focus on the healthcare, fashion and automotive industries. Our already strong presence in the hi-tech sector saw substantial increases in exports from customers such as Maxtor and Hewlett Packard.

In Penang, Malaysia, MSAS has acquired a 28,000 sq m site on which will be constructed a 15,000 sq m state of the art logistics facility situated in the heart of the State's industrial zone, scheduled for completion in October 2000. Penang airport's new cargo warehouse is also being built, increasing capacity from 100,000 metric tonnes to 360,000 metric tonnes, to be operational in the year 2000.

MSAS India and China were successful in achieving the ISO 9002 accreditation, highlighting MSAS'

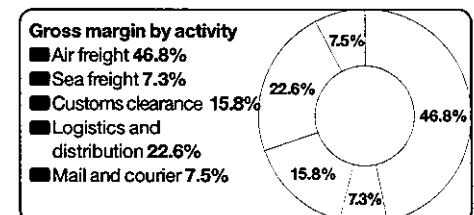
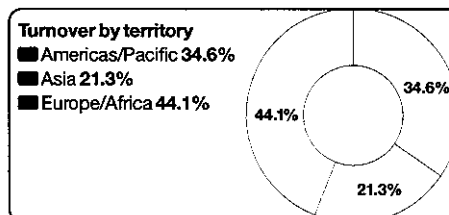
emphasis on capability and consistent service standards, joining Singapore, Malaysia, Philippines, Hong Kong, Taiwan and Thailand. India also procured IATA registration and the Customs House Agents licence which are crucial for carrying out operations effectively in India.

Vendor hub operations were established for Compaq and Agilent in Singapore and Ericsson in China (operational in the second quarter of 2000). A distribution centre business was set up for Minolta in Kuala Lumpur, Malaysia and for Avnet and Becton Dickinson in Singapore, with work scheduled to start in year 2000 for Mitsubishi.

In 1999, MSAS' logistics warehouse in Bangkok supported 39 stores of The Boots Company; another 30 stores are planned in 2000.

In Singapore, the MSAS and Freight Express International operations were merged, resulting in a stronger, more customer focused organisation.

The Asian regional office relocated to a new facility in Singapore, which also meets increased demand from major customers such as Avnet and On Semiconductors.



**3** Paul Brown, MSAS Europe Business Development Director, on the site of the Kodak distribution centre at Hemel Hempstead, opening in June 2000.

**4** Expansion at Bawtry has made this location one of the largest multi-user warehousing and distribution centres in the UK specialising in the fast moving consumer goods sector.

**Acquisition of Parkhill Reclamation doubled Cory Environmental's landfill bank**

**Submission of a planning application for the final restoration of the river-served Mucking landfill site**

**Submission of an application for the construction and operation of an energy from waste plant on the banks of the Thames in Bexley**

**Strong performance from Cory Environmental Municipal Services**

**New waste recycling facility commissioned for Southend Borough Council**

Improved results from Municipal Services and a final quarter contribution from Parkhill Reclamation led to Cory Environmental's underlying operating profits before goodwill amortisation rising by 9.3%, from £12.9m in 1998 to £14.1m in 1999.

#### **Waste Management**

The acquisition of Midlands-based waste company Parkhill Reclamation for £41m more than doubled Cory Environmental's landfill capacity to over 80 million cubic metres, of which half is currently consented. This ranks Cory Environmental in seventh place in the UK league table of landfill capacity.

The new business includes a mixture of existing operational sites, consented sites awaiting development and a number of potential future sites. Renamed Cory Environmental (Central), the new business has been fully integrated into the company, following a comprehensive review of procedures utilised by all of Cory Environmental's waste management operations. Operating performance since acquisition has been in line with expectations.

Cory Environmental's lighterage operation on the Thames carried in excess of 600,000 tonnes for the second year in succession. Increases in spot disposal rates to landfill in general were limited to inflation, with some commercial waste streams experiencing price reductions.

The Colchester business, formerly owned and operated by Essex County

Council, continued to contribute strongly to operating profits, building on a successful first year in 1998. Access has been secured for another 1.5 million cubic metres of void adjacent to the current operations through an agreement with Tarmac, the site owners.

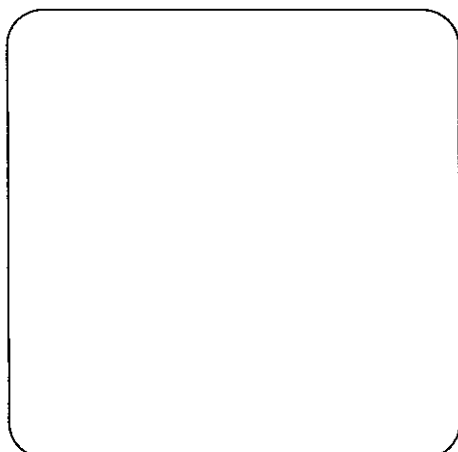
Volumes into Cory Environmental's landfill sites in Gloucestershire rose in 1999, with the largest increase coming from a number of contracts to dispose of contaminated soils and a smaller growth in domestic waste disposal. Plans were progressed for the introduction of a composting facility at the Hempsted site in Gloucester to process green waste collected from civic amenity sites throughout the county. The resulting compost will be used as mulch and soil improver for landfill site restoration, with the possibility of selling it for landscaping and civil engineering.

Ellicot, the specialist waste incineration business acquired in 1998 and managed within Cory Environmental (Gloucestershire), has expanded its operations through the installation of a horse cremation facility.

#### **Landfill gas**

Following the award of the contract to Energy Developments UK (EDUK) for the management and exploitation of landfill gas at Cory Environmental's Mucking landfill site in 1998, the facility was successfully handed over to the contractor. Gas extraction and control systems have been

**Underlying operating profits rose by 9.3% with improved results from Municipal Services and a final quarter contribution from Parkhill Reclamation.**



extended on site over the course of the year, and further power generation equipment will be installed to exploit additional gas. Plans are also progressing with the second phase of the landfill gas management contracts which relate to Cory Environmental's sites in Colchester and Barling, under which EDUK will take over existing gas control equipment and install electricity generation equipment.

#### **Municipal Services**

Results from our municipal business exceeded expectations and this sector is now making a significant contribution to operating profits. The integrated waste management contract with Southend Borough Council is performing well in its second year, with the new recycling plant having been commissioned successfully.

Excellent relations with local authority clients have led to the development of value-added services in several of our contracts, enhancing the returns on capital employed.

#### **Recycling**

As well as the recycling achieved by Municipal Services on behalf of its local authority customers, Cory Environmental endeavours to recycle waste received at its disposal sites. Recycling rates at these sites increased by over 20% between 1998 and 1999.

#### **Information Technology**

A comprehensive review of Cory

Environmental's IT infrastructure ensured that all systems were Y2K compliant. The review also allowed for the enhancement of communications, both internally, and externally with our customers and suppliers, through the provision of e-mail and internet capabilities.

#### **Planning developments**

The provision of high quality waste treatment and disposal facilities is at the heart of Cory Environmental's business. Municipal waste arisings in the UK are estimated to be rising at around 3% per annum, despite efforts to minimise the amount of waste produced. Indeed, in London, arisings are estimated to be increasing at a rate of around 5% per annum. The provision of new facilities and the development of existing ones is subject to stringent planning requirements, which include demonstration of a robust need case, conformity with the National Waste Strategy, local development plans and environmental impact. Two key planning applications have been submitted during 1999 which relate to our river-borne waste contracts. Both applications are expected to be determined during 2000, or shortly thereafter.

#### **Final restoration of Mucking site**

The restoration of the Company's landfill site at Mucking in Essex is the subject of a planning application submitted in August. The site currently receives around one million tonnes of waste per year, arising

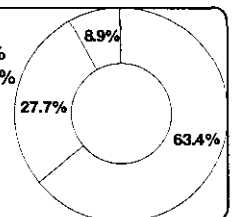
principally in London, and is expected to be filled by the end of 2002. The application entails a restoration programme, aimed at making the landfill more sustainable by improving restoration contours and capping standards, in line with Government guidance. Waste will be delivered to the site by river alone, with road deliveries to the site confined to locally arising restoration materials. In the proposed scheme the site will be completed and handed to the local community as a country park.

#### **Riverside Resource Recovery**

An application for the construction and operation of an energy from waste plant on the banks of the Thames in the London Borough of Bexley was submitted to the Department of Trade and Industry in September by a special purpose company, Riverside Resource Recovery, a subsidiary of Cory Environmental's project partners, Energy Power Resources. A scheme has been developed which is designed to treat 585,000 tonnes of waste per year, the major portion of which will arrive by river utilising Cory Environmental's well-established lighterage operation with its concomitant benefit to the reduction in congestion on London's roads. The plant, which was subject to a wide-ranging public consultation, will produce over 60 MW of renewable electricity, enough to meet the needs of 80,000 people.

#### **Turnover by activity**

- Waste disposal 63.4%
- Waste collection 27.7%
- Lighterage 8.9%



**1** Cory Environmental's lighterage operation on the Thames carried over 600,000 tonnes of waste for the second year in succession.

**2** Lord Street, St Helens landfill site, one of the portfolio of sites acquired with Parkhill Reclamation.

**3** The proposed energy from waste plant on the Thames at Bexley.

**4** An artist's impression of Mucking creek following final restoration of the landfill site.

**Shareholder returns**

Underlying profit before tax of £83.5m (which excludes goodwill amortisation of £(7.1)m and exceptional costs of £(3.8)m), was £0.4m or 0.5% higher than last year. Underlying earnings per share however was up 10.2% following the reduction in the shareholder base as a result of the return of £103m of cash to shareholders. Basic EPS fell 5% due to the increased goodwill amortisation and exceptional costs. The impact of exchange in the year was relatively modest.

Our effective tax rate on profit before tax but excluding goodwill amortisation remains at 29%. We currently anticipate the ongoing effective tax rate to remain close to this level.

A second interim dividend of 13.2p per share has been declared by the Board, making a total of 19.55p for the year, an increase of 8.9%. Our aim is to continue to increase the dividend as profits grow, whilst maintaining a dividend cover of around 2. The dividend is being declared and paid early as a second interim dividend to avoid complications with the timetable of the proposed merger with NFC plc.

Our market capitalisation has continued to grow during the year, and at the year end our share price stood at 1155p (1998, 757p) giving a market capitalisation of £1,688m (1998, £1,083m).

**European Service Centre**

In May we announced the creation of a European Service Centre for finance in Dublin. The objective of the centre is to achieve economies of scale for the transaction processing of the European Freight Forwarding business, to provide

a more flexible administration structure to allow the business to grow and develop, and to free resources in the individual countries to focus on value added activities. Whilst there have been some teething issues with the first country (the UK) which went live on 1 September, by the end of 1999 the processing for four countries had been transferred and the Centre employed 70 people. Another 10 countries are planned to be added by the end of 2000. Exceptional costs of £3.8m were incurred in 1999 for set-up costs of the Centre, plus redundancy costs for finance staff not transferring to the Centre.

**Accounting policies**

The introduction of FRS 12, which addresses provisions, contingent liabilities and contingent assets has required two minor prior year adjustments to our accounts. Fixed assets and provisions have been grossed up by £1.7m, reflecting a change in the treatment of restoration costs of landfill sites, where the full liability for restoration is accrued as soon as the land is disturbed. This creates an equal and opposite asset, which is amortised over the life of the site. The other change was to reclassify £8.8m between creditors and provisions.

**Acquisitions**

There were two major acquisitions in the year. Mark VII, a US ground logistics operation acquired in August for \$244.4m, has significantly enhanced our service offering in the US. This acquisition has performed ahead of expectations and continues to grow successfully. Parkhill, a UK business, was acquired for £41m

and has doubled our landfill resources. This acquisition has performed in line with expectations. It is initially only breakeven at the profit before tax level, but will become profit enhancing once its new landfill sites become operational.

**Disposals**

We announced the sale of Cory Towage on 14 January 2000 for £81.8m, plus an element of deferred consideration of up to £5m. At the time of the approval of the accounts this deal has not yet completed but this is expected shortly.

**Treasury risk management**

Group treasury operations are managed centrally by a small specialist team. Their objectives, amongst other tasks, are to manage interest rate and currency risk, and to ensure availability of a timely flow of funds at a cost which reflects the credit worthiness of the Group. It is managed as a cost, not a profit centre; no material open or speculative positions are taken as all the hedging activity is undertaken to reduce risk and volatility. Treasury policy and procedures are formally established and monitored by the Board. The Group uses forward foreign currency contracts and, less frequently, buys currency options to manage the risk of its foreign exchange exposure to the retranslation of overseas earnings and net assets, all of which are accounted for as hedges. Hedging of these risks would generally be in excess of 90% of the exposure. In addition, forward foreign currency contracts are used for hedging transactional exposures. Where overseas subsidiaries' profit before tax is hedged contracts can extend up

**Our market capitalisation continued to grow during the year and at the year end our share price stood at 1155p (1998: 757p) giving a capitalisation of £1,688m.**



**John Coghlan**  
Finance Director

1995	604
1996	760
1997	928
1998	1,083
1999	1,688
Market Capitalisation – £m (year end)	

to 18 months, but typically contracts are for up to three months duration. In 1999 the profit before tax by currency was broadly Sterling 31% (1998, 59%), euro 20% (1998, 14%), US dollar 19% (1998, 12%) and Asian currencies 30% (1998, 15%). The drop in Sterling profits, and increase in US dollar profits is principally due to the reduction in interest income from utilising cash to acquire companies in the US. This trend will continue in 2000 from the full year effect of the Mark VII acquisition and the sale of Cory Towage. The impact of hedging on the profit and loss account in 1999 was relatively small and the net exchange impact after hedging that was taken to reserves was also modest at £2m. The net transactional currency exposure at 31 December is shown in note 20 to the financial statements.

**Interest rate risk** – During 1999 the Group moved from a net interest receiving position to a net interest paying position. The risk of interest rate movements was largely mitigated by placing cash on six month deposits and latterly by borrowing at rates fixed for up to six months. In addition there was a small amount of interest rate hedging in 1999, using Forward Rate Agreements ("FRA's"). Following the return of cash to shareholders and the Mark VII acquisition there is significantly more debt on the balance sheet and at times up to 100% of the risk may be hedged on a 12–15 month horizon. At the end of the year 80% of the forecast interest rate risk in the first half of 2000 was fixed, covered by a mixture of FRA's and fixed rate debt. An analysis of the weighted average interest rates and currencies is shown in note 20 to the financial statements.

#### **Capital structure and funding –**

Our strategy towards funding is to have core committed facilities in place to fund regular cashflows for at least the next 12 months, and to arrange additional facilities as and when required, for instance when making medium to large acquisitions.

The significant change during the year in our capital structure was to raise a five year committed £225m multicurrency revolving loan facility to fund our acquisition of Mark VII. The size of the facility allows scope for some small acquisitions in 2000, but we believe additional borrowings would be readily available to fund future acquisitions, if necessary. Drawdowns on the facility are largely made in sterling, with some modest US dollar drawdowns. Other than this facility the rest of our borrowings are relatively small in size and the bulk of these are secured against assets, mainly property. The current repayment profile of the Group's borrowings is shown in note 19 to the financial statements.

The £6.3m of remaining B shares were redeemed in the year, leaving only the one class of ordinary share.

**Cash and liquidity** – The net cash outflow for the year was £(226)m (1998, £(68)m). £(197)m (1998, £(67)m) of this was as a result of acquisitions, principally Mark VII and Parkhill as noted above, and £(45)m (1998, £(33)m) from net capital expenditure. Within this, investments in specific European logistics properties totalled £18m. In addition there was a net increase in working capital in the year of £31m, partly as a result of the growth in the business, but also partly from pressure to extend credit terms to customers.

**Credit risk** – The Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. However, only those institutions with a Moody's credit rating in excess of Aa3 are used and consequently this risk is considered low.

#### **Pension schemes**

The last valuation of the schemes was in 1998. The impact of the SSAP 24 credit on the 1999 results was £10.8m (1998, £9.7m). Now that the pension credit exceeds £10m per annum we feel it is more appropriate to split out the impact of it on the results in the segmental analysis in note 1. We continue to watch with interest the debate regarding the treatment of pensions in company accounts, and in particular the reactions to FRED 20 "Accounting for retirement benefits".

#### **Year 2000**

We were extremely pleased with the results of our year 2000 project, and we managed to avoid any significant disruption to our business or service to customers, many of whom appreciated our detailed contingency planning. Details of the costs incurred are included in the Directors report.

#### **Proposed merger with NFC plc**

On 20 February 2000 the Board approved a proposed merger with NFC plc ("NFC"). If approved by both NFC and Ocean shareholders, the share capital of the new company will be held approximately equally between them.

#### **Cory Towage business review**

A steady year for Cory Towage with profits down 4.3% to £11.2m on slightly increased turnover. The major factor was a £(0.6)m reduction in contribution from associates, the principal element being the full year impact of the sale of Shetland Towage in 1998.

In the UK, despite continued price pressures from customers, the business held steady with reduced volumes in Liverpool, mainly at the Tranmere terminal and increased drydocking costs being offset by smaller upsides elsewhere. The remaining 50% of Forth

Tugs not already owned was acquired in November 1999.

In the international market the impact of the loss of the Cabinda contract in December 1998 was more than offset by a full year of the Salalah contract, the new contract in Lithuania and increased volumes in Canada, where the new tug was well received by customers and pilots.

The worldwide towage market was characterised by continued consolidation via joint ventures and acquisitions. As part of this trend an agreement was reached in January 2000 to sell Cory Towage to Wijsmuller Groep Holding

BV for £81.8m, plus adjustments for working capital and a deferred contingent payment up to £5m. This will create a powerful combination of Cory Towage's traditional strengths in harbour and terminal contracts with Wijsmuller experience in salvage and LNG contracts and will be a good environment to grow the business and utilise the skills, experience and dedication of the employees.

The aims of the Ocean Innovation Awards, launched in March 1997, are to encourage innovation by people at all levels in the Company, to acknowledge publicly those who have implemented new ways of working or developing business and to give real substance to innovation as a key factor in driving our business forward.

Here we highlight some of the award winners from 1999.

#### **Electronic performance reporting**

Two UK based MSAS employees, Theo Agadzi and Ben Best, have developed Fox 4, an Intranet based method of collating performance failures to comply with ISO 9001. At first, the idea of creating an electronic reporting system seemed complex and expensive but the design and implementation was achieved with no additional cost and the results were more dramatic than the designers imagined.

Fox 4 is a network PC based method of collating non-conformance reporting (NCR) data to measure improvements in the operational part of the business. The process is based on self-reporting and it measures NCR for both physical handling and documentation for each transaction covering MSAS UK departments, third party, carrier and network operations. An imaginative response to extend the use of the MSAS Intranet, Fox 4 also

demonstrates the powerful ability of web-based technology to provide rapidly developed systems capable of handling complex data concepts.

Fox 4 as a system of self-measurement is believed to be unique in the industry and since it provides a measured demonstration of quality it is attracting significant interest from major customers. Two customers (Merck and Sony) have access to the system providing a direct capability to record non-conformances or complaints.

#### **Automated warehouse handling solutions**

Taking standard high bay automatic storage and retrieval technology, MSAS employee Roger Latton designed new automated front end picking solutions that can be tailored to the needs of individual customers, thereby making this type of solution attractive to manufacturers with large numbers of products.

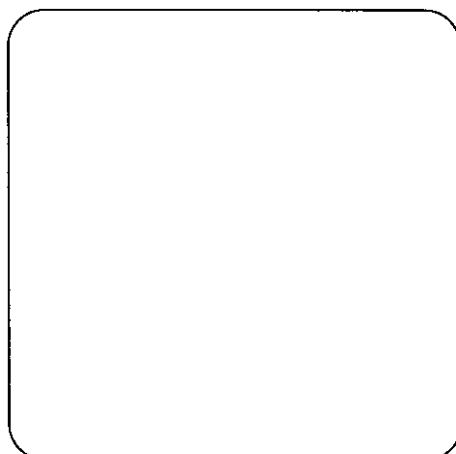
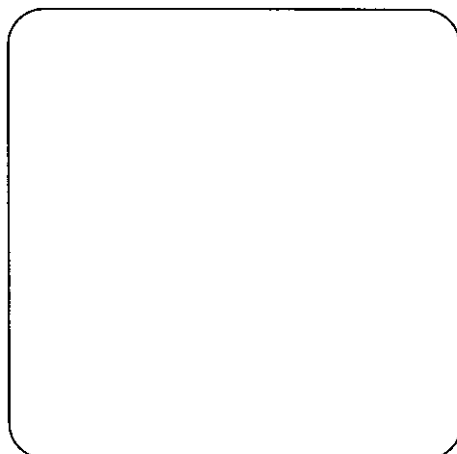
Full simulation models, animations and video clips were developed to support and demonstrate the warehouse design. These were used as a selling tool on major projects where such automated solutions would be attractive to the customer. These new solutions and selling tools have assisted MSAS in winning a number of major projects.

#### **Laboratory analysis and control**

Staff at SAC Scientific, Cory Environmental's laboratory division, were the impressive winners of not one but two innovation awards. The first was awarded to Rhys Ashton, Kathy Cobb, Paul Gifford and Charlotte Reed in recognition of a soil analysis process which was developed especially to take advantage of a growing market. Not only was this an innovative process, it also improved productivity of soil testing by 50%. The second award went to David Bamford, Karen Kelly, Carol Henderson and Mark Hancock for the development of a computer control system designed to replace the old Labsys system. Rather than buying in a standard package, the team developed a system which was designed to serve the laboratory's exact requirements.

Stuart Pattinson, Laboratory Manager, saw a double opportunity to promote his staff's innovations, when he calculated that the laboratory would be analysing its 100,000th sample in the summer of 1999. To mark the occasion he arranged for the Chairman of Mid Bedfordshire District Council, Mrs Fiona Chapman, to visit the laboratory and to receive the results of the 100,000th sample analysis. Mrs Chapman was also pleased to officially unveil the Ocean Group Innovation Awards, which are now on prominent display and congratulated the staff involved on

**The aims of the Ocean Innovation Awards are to encourage innovation, to acknowledge publicly those who implement new ideas and to underline the importance of innovation to our future success.**





their success. Building on these substantial achievements, Stuart Pattinson produced a special edition marketing brochure which was mailed to all existing and potential customers, detailing the services that the laboratory provides and featuring the Innovation Awards and the dignitary's visit. Another impressive example of innovation.

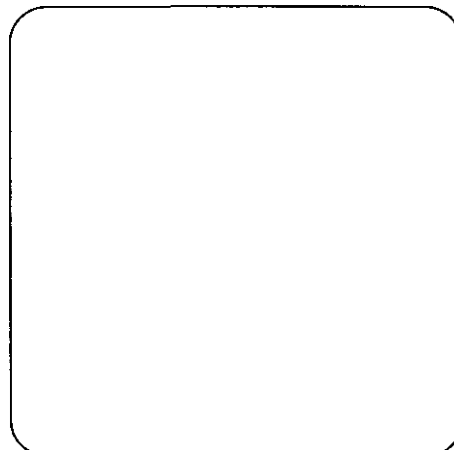
#### **Process modelling and optimisation**

Steve Nimmo, one of MSAS' US employees, has developed a standard set of flow-charted processes that can be deployed to the majority of MSAS' offices worldwide. Its objective is to ensure customers receive a consistent level of service from every part of the global network. Initially a 'draft' flowchart of the entire operations was designed; the next step of the project involved modelling the process flow utilising the modelling software, Igrafx Process.

The true power of Igrafx Process is the ability to run "What-if" analysis. The software allows MSAS to input proposed process improvements and evaluate the results prior to physically committing time and resources to a project. This allows MSAS to choose only those projects which should provide improvements.

During the development of this project a significant opportunity for using bar-coding in the operations was identified

which would deliver significant improvements in productivity. The use of bar code technology virtually eliminates the human error factor. A projected 10-15% improvement in productivity will be achieved in stations of 10 or more staff. Through optimising operational productivity, MSAS will be able to reduce times spent on re-work and double-checking and reallocate resources to other areas.



**1** MSAS employees Theo Agadzi, Project Manager and Ben Best, Software Engineer developed an electronic reporting system for performance failures.

**2** Roger Latton, MSAS Commercial Development Manager, who designed new automated warehouse handling solutions.

**3** Stuart Pattinson, SAC Scientific Laboratory manager, with Mrs Fiona Chapman, Chairman of Mid Bedfordshire District Council, on the occasion of the laboratory's 100,000th sample analysis.

## Ocean's corporate citizenship – a winning partnership with the community

Ocean recognises its responsibility to play a positive role in the community by minimising any adverse impact of its activities on the environment and by supporting local activities.

### Environmental policy

Ocean drew up its first Environmental Policy statement in 1991 following the introduction of the Environmental Protection Act in November 1990. Modified on occasions since that time, it is a general statement of principles which directs each business within the Group to adopt and comply with an environmental policy appropriate for its particular activity. The current statement is shown below.

### MSAS Global Logistics

The creation of our unified logistics organisation, MSAS Global Logistics, has brought together businesses with varying approaches to environmental issues, some more developed than others. In consequence we are developing a new environmental policy and management system for MSAS Global Logistics.

A principal environmental focus for MSAS is vehicles. The application of a co-ordinated distribution policy limits the number of vehicles on the road and the associated problems of noise and congestion. Air management equipment is installed on owned vehicles to improve fuel consumption. In future we aim to ensure that our heavy commercial

vehicles will have fuel emissions below, rather than simply meeting, current legal requirements to minimise any impact on the environment. Wherever possible MSAS operates with multiple axle vehicles to reduce the impact on roads. Vehicle movements during the evening or night around our logistics centres are strictly controlled to limit noise.

During the past two years the use of R12 ozone depleting chemicals has been phased out from refrigeration equipment in MSAS' warehouses and vehicles in favour of more acceptable refrigerants such as 134a gas which is CFC free and R22, a low emission chemical. MSAS participates in various government and community initiatives such as the Greenhouse Challenge in Australia, a voluntary and self regulatory partnership to reduce greenhouse gas emissions.

### Cory Environmental

Cory Environmental has a clear environmental policy, communicated both to customers and employees, on which a report is produced each year.

The company follows the principles of Best Practicable Environmental Option in the choice of waste treatment and disposal routes. The transport of c 15% of London's municipal waste by a fleet of tugs and barges on the River Thames saves over 100,000 heavy goods vehicle movements through the City's congested streets each year. Over 50% of the waste received at

Cory's Mucking landfill site arrives by the River Thames and from the point of collection to delivery the waste is sealed to prevent odours and litter.

As at all Cory's landfill sites there is an ongoing restoration programme. Over the past 15 years more than 80 hectares of land has been restored at the Mucking site, including the planting of 2,000 new trees and the provision of pasture which supports both sheep and Highland cattle. Methane gas produced at Mucking from the decay of landfilled waste is used to produce electricity sufficient to power 3,000 homes for a year with the company's sites in Gloucestershire producing enough to supply 5,000 homes.

Waste material from landfill sites and domestic waste collected from households is recycled on a significant scale. A major recycling scheme forms part of the company's integrated waste management contract at Southend where collection rounds are carried out by a fleet of environmentally friendly vehicles, running on low-sulphur fuel.

Cory Environmental was pleased to receive a Special Mention Award for its contribution to sustainable transport through the use of the Thames to transport waste in The 1999 Queen Mother's Birthday Awards for the Tidy Britain Group. The company is also a partner in the City of London Waste Minimisation Project, aimed at reducing the use of resources such as energy, water and solid consumables.

**Ocean recognises its responsibility  
to play a positive role in the community  
by minimising any adverse impact of  
its activities on the environment and  
by participating in local activities.**

### 2 Ocean Group Environmental Policy

Ocean Group plc recognises its responsibility to minimise any adverse impact of its activities on the environment in which it operates. In particular the Group aims to:

- adopt the principle of sustainable development in the interest of its employees, customers, business partners, shareholders and the community at large
- comply with all applicable statutory requirements
- continually assess and, where possible, improve the environmental performance of its operations
- take environmental considerations into account in its investment decisions
- support and encourage environmental initiatives in the community
- conserve energy and minimise waste in its operations
- promote a wider understanding of environmental issues among its employees and shareholders
- ensure that its businesses adopt an environmental policy appropriate to their particular activity within this framework

### Community involvement

Ocean's support of local community activities continues to focus on young people although Cory Environmental's work with Environmental Trusts has a wider community brief.

### MSAS Global Logistics

In the US, MSAS provides ongoing support for Operation Smile, dedicated to surgical treatment worldwide for children suffering from cleft palates, and donated its services for a shipment of medical supplies to Latin America in May. MSAS Australia supports a Lions Club Special Variety Concert for underprivileged children twice a year. In the UK, MSAS paid a visit with a heavy goods vehicle to St Giles School, Pontefract to assist with a project on transport, showing how distribution, focusing on road transport and lorries, is a key link in the supply chain.

MSAS management at Bawtry, following a major expansion at the site which was completed in July, joined with environmental consultants and the local authority to create a nature reserve from two hectares of waste land adjacent to the warehouse. Over time it is intended that local schools and wildlife groups can share in the enjoyment and care of the reserve.

Exceptional initiative was shown by Mumtaz Dongan, an MSAS employee based in Veghel, Netherlands who organised two air shipments of medical supplies to his home country of Turkey within a few hours of hearing the news

of the Turkish earthquake in August 1999. Supplies were collected from customers in the healthcare sector such as Smith & Nephew, Alaris and Lohmann and Kendall.

### Cory Environmental

Cory Environmental continues as a leader in its work through Environmental Trusts funded through the Landfill Tax Credit Scheme. Ten Trusts have now been established in the locality of the Company's operations, supporting a broad range of valuable projects, all of which have brought significant benefit to the local communities.

The Cory Environmental Trust in Thurrock, the largest of these Trusts, has committed substantial funds towards the refurbishment of Grays Town Wharf. With landscaping, seating and paved pathways, this project opens up access to the Thames, building upon the regeneration of the area already underway through last year's project to restore the Victorian Pleasure Beach at Grays. In Corringham, local children helped to choose their own play equipment and worked on plans for a new cycle track while close to Cory Environmental's landfill site at Mucking, a new ball games park has been provided at Linford Recreation Ground, the first of many priority projects for this area. The Trust in Colchester was pleased to fund the desilting of a mill pond at Bourne Mill and restoration works to the Mill itself, a popular attraction for local people and visitors alike.

Other activities include support for Trees for London, a charity whose aim is to plant 20,000 trees in central London by 2001, placing particular emphasis on inner city areas and for a number of environmental education initiatives aimed at changing attitudes towards the creation of waste.

### P H Holt Charitable Trust

The P H Holt Charitable Trust is a grant-giving charitable trust, with its origin in a bequest from Philip Henry Holt, a co-founder of Ocean in 1865, who died in 1914. The Trust is independent of Ocean but two of the Company's senior executives serve among its trustees.

In 1999 this link with Ocean led to the Trust making a grant of £10,000 to provide groups of disadvantaged young people with an Outward Bound residential experience. A series of seven-day Personal Development Courses were held at Outward Bound Centres in Lock Eil, Ullswater and Aberdovey, with over 100 young people taking part. The schools selected included children with learning difficulties and from deprived backgrounds.

The courses were very successful with all the young people enhancing their communications skills and realising just how much they were capable of achieving, both as individuals and in teams, whilst having an exciting time.

**1** One of MSAS' heavy vehicles receives a warm welcome from pupils of St Giles School, Pontefract.

**2** Ocean's current Environmental Policy Statement.

**3** Kelly's expression captures the exhilaration of the Outward Bound Challenge.

**4** Part of the restored play area at Grays Beach, financed by the Cory Environmental Trust in Thurrock.

## Ocean's Board – committed to delivering shareholder value

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### Board and Committees

Details of Board and Committee functions can be found in the corporate governance report on pages 32 and 33.

#### Audit Committee

A E Isaac (Chairman)  
J-C Guez  
Sir John Guinness  
J Loudon  
N M S Rich

#### Nominations Committee

N M S Rich (Chairman)  
J M Allan  
J-C Guez  
J Loudon  
Sir John Guinness  
A E Isaac

#### Remuneration Committee

J Loudon (Chairman)  
J-C Guez  
Sir John Guinness  
A E Isaac  
N M S Rich

#### Company Secretary and Director of Corporate Affairs

Tony Lascelles

#### Director of Mergers and Acquisitions

Stuart Young

#### 1. Nigel Rich CBE

##### **Chairman, Non-executive**

Appointed a Director in January 1997 and Chairman in April 1997. Previously Managing Director of Jardine Matheson Holdings Ltd and Group Chief Executive of Trafalgar House plc. Non-executive directorships are held in Hamptons Group Ltd, of which he is Chairman, Granada Group plc, Harvey Nichols Group PLC, John Armit Wines Ltd, Matheson & Co Ltd and Pacific Assets Trust plc. Age 54.

#### 2. John Allan

##### **Chief Executive**

Joined Ocean in September 1994. Previously a Director of BET plc. Non-executive director of Wolseley Plc and Hamleys Plc. Age 51.

#### 3. John Coghlan ACA

##### **Finance Director**

Joined Ocean in October 1995. Previously Director - Financial Services of Tomkins PLC. Age 41.

#### 4. Jean-Claude Guez

##### **Non-executive Director**

Appointed February 2000. Consultant with Andersen Consulting for over 33 years, became a Partner in 1979 and most recently Managing Director of Andersen Consulting's Travel and Transportation Industry consulting activities in Europe. Now part-time Senior External Advisor with Andersen Consulting's Management. Age 56.

#### 5. Sir John Guinness CB

##### **Non-executive Director**

Appointed in June 1993. Non-executive Director of Mithras Investment Trust plc and Chairman of Trinity Group Finance Ltd. Age 64.

#### 6. Tony Isaac

##### **Non-executive Director**

Appointed February 1997. Chief Executive of The BOC Group plc and non-executive Director of Hogg Robinson plc. Age 58.

#### 7. John Loudon

##### **Non-executive Director**

Appointed in January 1992. Non-executive directorships are held in Derby Trust Plc, The Brockbank Group plc, Heineken NV, Island Heritage Insurance Co. NV, SHV Holdings NV and XL Capital Inc. Age 64.

#### 8. David Riddle

##### **Chief Executive, Cory Environmental**

Joined Ocean in 1971, a Director since 1994. Non-executive Director of Newcastle War Risks Indemnity Association Ltd. Age 54.


The Directors submit their report and the accounts for the year ended 31 December 1999.

### Principal activities and business review

The principal activities of the Group are described under Ocean's businesses on page 2 and a review of the performance of its businesses in 1999 is given on pages 14 to 21 which are deemed to be part of this report.

Dividends	1999 £m	1998 £m
Interim dividend of 6.35p per ordinary share paid on 1 November 1999 (1998, 5.85p)	9.1	9.3
Second interim dividend of 13.2p per share (1998 12.1p) payable 2 May 2000 to shareholders on the register on 24 March 2000	18.9	17.3
Non-equity: redeemable B shares	0.2	—
	28.2	26.6

The total dividends declared for 1999 amount to 19.55p per share (1998, 17.95p).

### Dividend reinvestment plan

A dividend reinvestment plan was introduced in March 1999. This enables shareholders, who wish to do so, to use the whole of their cash dividends to buy additional shares in the Company.

### Post balance sheet events

The principal post balance sheet events are described in note 32 to the accounts.

### Future developments

Indications of likely developments of the business of the Company and of its subsidiary undertakings are contained in the Chairman's statement (page 3) and the Chief Executive's statement (pages 4 to 7).

### Directors

The present Directors with brief biographical details are named on page 26 and, with the exception of Mr J-C Guez, all were Directors throughout the year. Mr F W Knight resigned from the Board on 22 June 1999. Details of Directors standing for re-election at the annual general meeting are given in the Notice of Meeting on pages 64 and 65.

### Interests of the Directors

The interests of the Directors and their families in the Company's share capital and details of the Directors' share options and awards made under the Company's Long Term Incentive Plan are set out in note 3 to the Accounts on pages 43 to 45.

No Director has or had during the year a material interest in any contract other than a service contract with the Company or any of its subsidiary undertakings that is or was significant in relation to the Company's business.

In accordance with The Combined Code on Principles of Good Governance and Code of Best Practice, as incorporated in the London Stock Exchange Listing Rules, a report to shareholders on Directors' remuneration is set out on pages 34 and 35.

### Ordinary shares

Under the Company's UK and Overseas Share Option Schemes 1994, options were granted to certain senior employees over a total of 307,429 ordinary shares on 15 March 1999 at a price of 871p per share, and over a total of 763,492 ordinary shares on 3 September 1999 at a price of 1052.5p per ordinary share. In normal circumstances these options will become exercisable from 15 March 2002 and 3 September 2002 respectively.

Provisional allocations totalling 242,760 shares were made under the Ocean Group Long Term Incentive Plan during 1999 to a number of senior executives, including 87,771 shares to three executive directors. The rules of the Plan provide for grants to be made on such terms as the Remuneration Committee shall specify, which shall include a condition relating to the performance of the Company and/or its subsidiaries. Summary details are included in the Remuneration report on pages 34 and 35.

In addition, under the Company's Savings-Related Share Option Scheme 1992, options over a total of 329,197 ordinary shares were granted to employees on 30 September 1999. The price to be paid for each share will be 818.5p and in normal circumstances these options will become exercisable from 1 December 2002. During the year a number of options granted under the Company's share option schemes were exercised and consequently 2,887,785 shares were issued. Included in this figure are 1,833,748 ordinary shares in respect of an acquisition by the Trustee of the Ocean Group Qualifying Employee Share Scheme (Ocean Group Share Scheme Trustee Limited) at a price of 849p per share.

A further 128,362 shares were allotted to two executives in Mark VII Inc as a result of a Stock Purchase and Stockholder Agreement entered into in connection with the acquisition of Mark VII Inc.

### Share capital reorganisation

Following the announcement in November 1998 of the Company's share capital reorganisation and intended return of approximately £103m of capital to shareholders by way of a bonus issue of one redeemable B share of 65¼p for each existing ordinary share, in conjunction with a 9 for 10 capital consolidation of ordinary shares, 9,765,557 B shares of 65¼p remained in issue at the end of 1998. Of these 4,183,191 B shares were redeemed in January 1999 and the balance of 5,582,366 B shares were redeemed on 30 December 1999, on which date the B shares were delisted on the London Stock Exchange.

### Major interests in shares

The Company has been advised of the following notifiable interests in its ordinary shares pursuant to part VI of the Companies Act 1985 as amended.

	Shares held	% held
Legal & General		
Investment Management Limited	4,432,638	3.03
Fidelity International Ltd	5,951,811	4.07

### Corporate governance

A statement setting out the Board's approach to corporate governance is shown on pages 32 and 33.

### Year 2000

Many computer systems express dates using only the last two digits of the year. These systems required modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

A Project Office was established at Group Centre which monitored the progress of plans in each of the businesses to address the year 2000 issue, and the Directors were regularly updated on the progress that was made against those plans.

The project to convert all critical business systems to process transactions in 2000 was completed on time, and all systems were year 2000 compatible by the end of 1999. We are pleased to report that the Group did not experience any significant impact on its ability to conduct business or to operate its computer systems as a result of the move into 2000.

The total external cost to complete modifications to our computer hardware and software was £9.1m, of which some £1.5m was for new equipment enhancements that was capitalised and the remainder was expensed as incurred. Of the £9.1m cost, expenditure of £3.6m was incurred in 1999. No further significant costs are expected to be incurred on year 2000 related issues.

### Introduction of the euro

The introduction of the euro has really only impacted the Group in the initial participating countries, where each of the Group's operations now has the capability to invoice in the euro or receive euro denominated invoices. The conversion to the euro as the base currency of the Group's operations in these countries varies, two operating businesses changed their functional currency to the euro from 1 January 1999, with the remainder scheduled to convert during the transition period to 2002.

The Group incurred no significant external costs in 1999 on euro projects. We would not expect costs in future years on amending the Group's systems to account for the euro to be significant.

### Pension Scheme Trustees

The Law Debenture Corporation plc is sole Trustee of the principal UK pension schemes which represent a significant number of employees and deferred and actual pensioners belonging to the Group schemes. The Law Debenture Corporation is wholly independent of the Group. The funds of the UK schemes are managed by professional independent investment managers.

### Special business at the annual general meeting

At the annual general meeting, resolutions will be proposed to renew for a further year the Directors' general authority to allot unissued shares of the Company and to allot shares for cash free from the pre-emption restrictions set out in the Companies Act 1985. In addition a resolution will be proposed to renew the authority for the Company to purchase its own shares. Such authorities will expire on the date of the next annual general meeting.

The resolutions to renew these authorities will be proposed as special business at the annual general meeting and are set out fully in the Notice of Meeting on pages 64 and 65.

The Directors will also seek shareholders' approval to resolutions relating to amendments to the Company's articles of association.

Fuller details of the special business to be put to the annual general meeting are given in the explanatory notes following the Notice of Meeting on pages 65 and 66.

Your Directors believe that the proposed authorities to allot additional relevant securities, to dis-apply pre-emption rights in relation to allotments of equity securities, to make market purchases of its own shares and the proposed resolution amending the Company's articles of association are in the best interests of the Company and its shareholders as a whole.

### Environmental policy

The Group recognises its responsibility to minimise the environmental impact of its operations. This area is addressed further on page 24 of this report.

### Employment of disabled persons

The Group's policy for disabled persons is to provide full and fair consideration for all types of vacancies and to provide equal opportunities for training, career development and promotion in line with their aptitude and abilities.

### Employee participation

The Group adopts a policy of encouraging team briefings and consultation to systematically provide information on matters of interest and concern to employees. A two-way channel of communication is aimed at ensuring the views of employees are taken into account in making decisions which are likely to affect them directly or indirectly. Involvement of employees in the Group's performance is promoted through their participation in the share option schemes, referred to earlier in this report, and in various performance-related bonus schemes. These foregoing policies and incentives schemes serve to increase the awareness of employees to the financial and economic factors that affect the performance of the Group.

### Creditor payment policy

The Company is a registered supporter of the Better Payment Practice Code to which it subscribes when dealing with all its suppliers. Copies of the Code are available from the Better Payment Practice Group, c/o Polhill Communications, 48 Artillery Lane, London E1 7LS. Trade creditors at the year end represented 2 days (1998, 16 days) Group 42 days (1998, 38 days) of purchases.

### Charitable donations

During the year the Group made charitable donations in the UK of £315,000 (1998, £251,000).

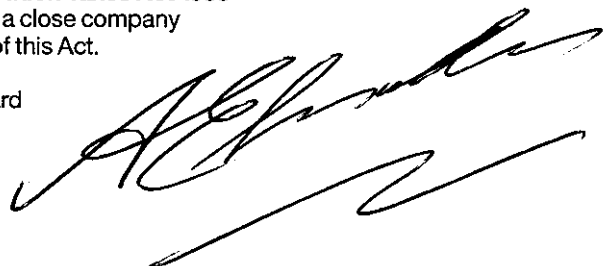
### Auditors

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment will be put to the annual general meeting.

### Income and Corporation Taxes Act 1988

The Company is not a close company within the meaning of this Act.

On behalf of the Board  
**A E Lascelles**  
 Company Secretary  
 20 February 2000



### **In relation to financial statements**

The following statement, which should be read in conjunction with the report of the auditors set out opposite, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

The Directors consider that in preparing the financial statements on pages 36 to 62, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that applicable accounting standards have been followed.

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 financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. This is further discussed in the Internal controls section of the Corporate governance report, on pages 32 and 33.

The Directors, having prepared the financial statements, have requested the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



## To the members of Ocean Group plc

We have audited the financial statements on pages 36 to 62 which have been prepared under the historical cost convention and the accounting policies set out on page 39.

## Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 30, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and 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 United Kingdom 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 or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 32 and 33 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

## 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 and the Group at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## PricewaterhouseCoopers

Chartered Accountants and Registered Auditors  
London

20 February 2000



### Introduction

The Company remains committed to high standards of corporate governance and supports the principles laid down in the Combined Code on Corporate Governance appended by the London Stock Exchange to its Listing Rules in June 1998 ('the Code'). The principal framework of the Company's corporate governance is represented by your Board and its duly authorised committees and this statement describes how the principles identified in the Code are applied and reports on the Company's compliance with the Code's provisions.

Biographies on the Directors and the composition of the committees are given on page 26 of this Annual Report. The committees, all of which have written terms of reference, comprise solely independent, non-executive Directors other than the Chief Executive's membership of the Nominations Committee.

There is also a Logistics Board, chaired by the Chief Executive, which reviews the strategy and operations of MSAS Global Logistics. The composition of this board is given on page 16.

### The Board

Comprising three executive and five non-executive Directors, the Board is responsible to shareholders for the proper management of the Group and has a formal schedule of matters reserved for its decision. There is a clear division of responsibilities between the non-executive Chairman and the Chief Executive. In the normal course of business, the Board meets eight times a year with at least one meeting being held away from the Head Office at one of the Group's business locations. In 1999 a meeting was held in Holland in conjunction with visits to three of the Group's logistics centres near Schiphol airport.

The Board has full and timely access to all relevant information to enable it to discharge its duties effectively. It determines the strategic direction of the Group, establishes operational policies and monitors operational performance. Items approved by the Board include annual budgets, medium-term business plans, financial reporting to shareholders, major acquisitions and disposals, major capital expenditure and financing proposals. Certain issues are delegated to standing committees of the Board.

All Directors have direct access to the advice and services of the Company Secretary and are able to seek independent professional advice at the Company's expense if required in connection with their duties. The Secretary has responsibility for ensuring that Board procedures are followed.

The Company has developed a framework within which Directors' training needs can be met. Newly appointed Directors who do not have previous public company experience at Board level will be provided with relevant training on the role and responsibilities of the position. New non-executive Directors in addition are offered an appropriate induction programme. Subsequent training is available on an on-going basis to meet particular needs.

The non-executive Directors, including the Chairman, are all considered to be independent in the sense outlined in the Code. They bring a wide and varied commercial experience to the Board's deliberations. The new appointment of Jean-Claude Guez will provide additional IT and e-commerce strategy expertise at Board level. Since the Board has a majority of non-executive Directors, including a non-executive Chairman, it is not intended to appoint a separate senior independent non-executive Director.

### Board committees

The **Audit Committee** meets at least three times a year. It provides a line of communication between the Board and the Company's external and internal auditors. Its principal functions include ensuring that appropriate financial standards are established and maintained throughout the Group and reviewing the Group's accounting policies, control systems and allied matters, making recommendations to the Board as and when necessary. It is on the basis of information reviewed by the Committee that the Board is able to provide the internal controls statement detailed below.

The Committee also meets with the Company's internal auditors and the external auditors without the Company's management being present. It keeps under review the scope and results of the audit, as well as the independence and objectivity of the auditors, particularly in the context of the nature and extent of non-audit services they provide to the Company.

The **Remuneration Committee** also usually meets at least three times a year. Its responsibilities include ensuring that remuneration and terms of service of the executive Directors are appropriate and that Directors are fairly rewarded for their individual contribution to the Company's overall performance. It also ensures that the allocation of share options to senior employees and the participation of executives in any long-term incentive plan approved by shareholders is on a fair and equitable basis and in accordance with agreed performance criteria.

A separate report on Directors' remuneration is included on pages 34 and 35 and forms part of the Company's corporate governance statement.

The **Nominations Committee** normally meets at least once a year, its principal functions being to consider candidates for Board nomination, including determination of the job description and criteria to be met by those candidates, re-election to the Board of those Directors retiring by rotation and succession planning at Board level. It is current practice for all Directors to stand for re-election to the Board at least every three years and a resolution is to be put to the annual general meeting on 27 April 2000 to seek the approval of shareholders to make this a requirement under the Company's articles of association.

### Internal controls

The Directors acknowledge their overall responsibility for the Group's system of internal financial controls, the effectiveness of which is reviewed regularly by the Board. The reviews cover each accounting year and the period up to the date of approval of the financial statements.

Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that proper accounting records are maintained, that assets are safeguarded and that problems are identified on a timely basis and dealt with appropriately. Key features of the Group's systems include:

- a schedule of matters, which are required to be brought to the Group Board for decision, ensuring that it is appraised of appropriate strategic, financial, organisational and compliance issues.
- clear and appropriate delegation of responsibility to Business and location management through defined operating procedures and financial authority limits, laid down in a Group policies and procedures manual.
- a clear policy in respect of the minimum acceptable level of controls for a business unit, compliance with which is reported on by location management on a monthly basis.
- a comprehensive annual budgeting system against which performance is reported monthly by all locations, in accordance with a strict financial timetable and detailed specifications. Forecasts are also prepared regularly throughout the year. These reports are rigorously reviewed by both Business and Group management, with an executive report provided to the Group Board.
- clearly defined procedures for capital expenditure appraisal, authorisation and post-project review.
- monitoring the internal financial control system through internal audit which is performed by personnel independent of the management and operations of

the Group's subsidiaries. Internal audit work is focused on the areas of greatest risk and materiality and the findings are reported to Group and Business management and the Audit Committee.

- reports to Group and business management and the Audit Committee from the external auditors on their reviews of the reporting by management of operating results and financial condition.

The Directors confirm that they have established the procedures necessary to implement the new guidance "Internal Control: Guidance for Directors on The Combined Code". For 1999 the transitional arrangements permitted by the London Stock Exchange have been followed and accordingly the review above was performed pursuant to the guidance issued by the Rutteman Working Group in December 1994.

#### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

#### **Relations with shareholders**

The Company is committed to maintaining good communications with shareholders. Institutional shareholders and analysts are invited to briefings by the Company at the time of announcing the Company's interim and full year results. The content of these briefings is posted on the Company's website so as to be available to all shareholders. There is also a regular dialogue with individual institutional shareholders.

Particular importance is placed on communications with private shareholders, for whom the annual general meeting presents an opportunity to meet and question the Directors. Shareholders are invited to submit questions in advance. Among the initiatives introduced in 1998 to make annual general meetings more meaningful were a display of various aspects of the Group's activities, a business presentation by the Chief Executive, brief presentations on the functions of the Board committees by the respective Committee chairmen and the announcement of proxy votes after each resolution.

In this report we include for the first time, immediately following the Notice of Meeting on pages 64 and 65, a more detailed explanation of each item of special business to be considered at the annual general meeting on 27 April 2000.

In compliance with the Code provision C.2.4, notice of this annual general meeting will be sent to

shareholders at least 20 working days in advance.

In addition to the Company's website, which makes available a wide range of information to all shareholders, a Shareholders' Handbook has been produced for private shareholders which provides guidance on all aspects of holding the Company's shares.

#### **Compliance**

The Board considers that, apart from the decision not to appoint a senior independent non-executive director, the Company was in compliance throughout the financial year with the Code's provisions.

## Remuneration Committee

The remuneration of all executive Directors and certain other key executives is determined on behalf of the Board by the Remuneration Committee which comprises exclusively non-executive Directors as listed on page 26.

Its functions are summarised in the Corporate Governance statement on page 32. Its constitution and operation accord with the provisions of the Combined Code on Corporate Governance as appended by the London Stock Exchange to its Listing Rules ('The Code').

## Compliance

In preparing this report for approval by the Board, the Remuneration Committee has followed the provisions of the Stock Exchange Listing Rules and the Code, in particular Schedule B to the Code.

## Policy on remuneration of executive Directors and senior executives

The Remuneration Committee recommended to the Board the Ocean Group Pay and Benefit Guidelines which have been adopted by all the businesses. They cover, but are not limited to, the remuneration of Directors and senior executives and, in respect of performance related remuneration, accord with the provisions detailed in Schedule A to the Code.

The Committee considers the views of the Chief Executive when reviewing the remuneration of other executive Directors and senior executives.

## Pay approach

The guidelines are based on the philosophy that the pay arrangements should support the Company and its constituent businesses in the achievement of business objectives by attracting and retaining the right calibre of people, motivating individuals and companies towards premium performance, recognising and rewarding individual or business performance and ensuring that pay systems are clear, fair and simple.

## The Guidelines address the following issues:

- Competitive pay comparisons/positioning**, namely establishing a comparative framework of progressive companies, defining competitive pay, determining where pay will be positioned in the market and determining the mix of the various pay elements.
- The role of each pay element**, eg base salary, annual incentive, long-term incentive, share options, retirement benefits, in attracting, retaining and motivating the people required.
- Total pay levels/policy guidelines** for continuously achieving the agreed performance standards; total earnings, through the appropriate balance of base

salary and incentive payments, are maintained at a competitive level, in keeping with relevant survey data.

It is considered wholly appropriate that more senior managers should have more of their potential earnings linked to business performance and, therefore, at risk according to their seniority and influence on profit.

The Committee takes due regard of general remuneration and employment policy within the Group in addressing pay and benefit issues for Directors and senior executives.

## Elements of executive Directors' remuneration

All details of the executive Directors' emoluments, share options and awards under the Long-term Incentive Plan are set out in note 3 to the Accounts on pages 43 to 45. The various remuneration elements are as follows:

- Base salary** This takes into account the individual's performance and information from independent consultants on the rates of pay in companies of similar complexity and diversity.
- Annual incentive plan** For executive Directors, bonuses are earned when specified company financial targets, based on earnings per share (EPS) pre goodwill, are met or exceeded. Where an executive Director has both Company-wide and specific business responsibilities, the targets are weighted accordingly. In respect of 1999, the lower bonus threshold was 20% of base salary for achieving budgeted EPS, rising on a scale to a maximum of 50% for performance over budget. The measurement base for the plan was changed in 1999 from pre-tax profit to EPS to reflect the fact that, following the share capital reorganisation coupled with a return of £103m to shareholders as announced in November 1998, there was a changed base of shares in issue. Bonuses are non-pensionable.
- Long-term incentive plan (LTIP)** Share ownership by senior executives can strengthen the link between their own interests and those of shareholders. In a diverse and geographically spread group of businesses, share ownership can also be used to enhance executives' links with the parent Company. In 1996 it was decided to replace the executive share option scheme for certain senior managers with a new longer term incentive arrangement to match rewards more closely with the success of the Company. Adoption of the Ocean Group LTIP was agreed by shareholders at the Company's annual general meeting held on 30 April 1996. The Plan was drawn up having taken advice from New Bridge Street Consultants.

Under the Plan, participants receive

annual awards of shares in the Company subject to various performance conditions. These awards are made shortly after the time that the Company announces its results for a financial year. Subject to the required performance conditions, participants will be able to take the shares into their own name after four years from the date of grant. Until then, the shares are held in a Trust which has independent trustees. Dividends on the shares are used to acquire further shares which are added to the shares a participant may receive under each award and which are treated as part of the original award for the purposes of vesting.

The performance conditions relate primarily to total shareholder return, earnings per share and, unless otherwise approved by the Committee, continuing in service. The financial benefit seen by shareholders is the growth in share price and dividends received, which are the factors taken into account in determining total shareholder return. Thus the benefit received by participants under the Plan is aligned with that received by shareholders. EPS growth is an additional performance condition and continuing EPS growth is a long-term aim of the Company, a performance condition which underpins the total shareholder return available to shareholders.

The extent to which the award is available to participants will be determined primarily by the Company's total shareholder return in comparison with that of companies in the FT-SE Mid 250. The most recent awards in March 1999, as for each of the first three awards in May 1996, August 1997 and March 1998, were of shares with a value of 100% of basic salary and will be available in full only if, when all the companies are ranked by growth in total shareholder return, the Company is ranked in the top 10% of companies, a more demanding requirement than that for the majority of companies. However, 4/10ths of the shares will be available if the Company is ranked in the top 50% of companies. Between these two points, the higher the decile in which the Company is ranked, the greater the number of shares that will be available. Nothing will be paid if the Company is ranked below the top 50%.

Moreover, an additional requirement is that no reward may be available to a participant if, for the third financial year of the Company after the base year, underlying EPS is not greater than EPS for the base year increased by the percentage increase in the Retail Price Index plus 6% over the same period. In this way, participants will not receive any benefit at all unless EPS has grown in real terms over the same period.

It is the Remuneration Committee's view that these two performance conditions, taken together, ensure that benefit can only accrue to the participants in the Plan when there has been significant performance by the Company over a three year period.

In certain compassionate circumstances, participants who leave employment will still be entitled to some benefit at the end of the four year period. However, if they were not in employment for all the first three years of that period, their benefit will be scaled down to reflect their shorter service.

#### **d. Share options**

In addition to the above, share ownership is extended by the Savings-Related and Executive Share Option Schemes in operation (SRSOS and ESOS).

The SRSOS is a UK all-employee scheme whilst, under ESOS, certain key employees worldwide have been granted options. The exercise of options granted under the 1994 ESOS will, at the date of exercise, require the underlying EPS of the Company to have exceeded the increase in the UK Retail Price Index by 6% over the preceding three year period. This is in contrast to the 1984 ESOS where the exercise of options is not subject to any performance criteria. Options under ESOS are offered at the prevailing market price.

Upon participation in the LTIP, executives do not participate in option allocations under the ESOS. Options held under grants made prior to their participation in the LTIP will continue to be covered by the rules of the ESOS on exercise.

The Company has extended ESOS participation significantly – from 49 in 1994 to 694 in 1999 – encouraging a greater number of its key business executives around the world to identify themselves with the interests of the Company as a whole.

#### **e. Contracts of service**

In 1994, the executive Directors agreed, at the Company's request, to reduce the notice period for termination of their service contracts from three to two years. This was without compensation. In December 1999 it was agreed that, at the end of 2002, the notice period would be reduced further to one year with one year's liquidated damages in the event of termination and 21 months liquidated damages in the event of change of control. Future executive appointments to the Board are anticipated to have notice periods of 12 months unless, in order to attract external candidates of sufficient calibre, it is considered necessary to offer a longer period initially.

Regarding the current Directors proposed for re-election at the annual

general meeting, there are no service contracts between Mr N M S Rich, non-executive Chairman, Mr J-C Guez and Mr A E Isaac, non-executive Directors and the Company. Mr D E Riddle, an executive Director, has a service contract with the Company which is terminable by the Company giving not less than two years' notice in writing or by the Director giving not less than twelve months' notice in writing.

#### **f. Pension contributions**

Executive Directors are offered membership of the Ocean Nestor pension scheme on the same basis as senior executives. It is a funded, Inland Revenue approved, final salary, occupational pension scheme, the main features being:

- i a normal retirement age of 60
- ii a pension equal to two thirds of relevant emoluments at normal retirement age after 20 years' service
- iii ill-health pension payable
- iv spouse/dependant pension payable on death
- v life assurance cover of four times pensionable salary

Where Directors are subject to the Inland Revenue earnings cap the Ocean Retirement Benefit Scheme (a funded unapproved retirement benefit scheme) operates.

#### **External directorships**

The Company recognises that its Directors may be invited to hold non-executive directorships of other companies and that this experience is likely to benefit the Company through the additional knowledge and exposure gained. Executive Directors are allowed, with the prior approval of the Chairman, to hold one non-executive post, as long as it is not with a competitor company and that there are no actual or potential conflicts of interest. A second post may be held by the Chief Executive or, if within five years of normal retirement age, by any executive Director. Executive Directors may retain their fees.

#### **Non-executive Directors' remuneration**

The Board as a whole determines the level of fees of the non-executive Directors, after taking advice on market comparatives. The present level of fees, set out in note 3 to the Accounts, was established in November 1998 and fixed for a three year term.

Non-executive Directors are usually appointed for an initial three year term and thereafter for further periods of three years as appropriate but they do not have service contracts.

# Group profit and loss account

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Note For the year ended 31 December		1999 £m	1998 £m
1,2	<b>Turnover – continuing operations</b>	<b>1,771.2</b>	<b>1,326.7</b>
	Ongoing operations	1,533.1	1,293.9
	Acquisitions	204.5	–
	Marine	33.6	32.8
	Operating costs	(1,698.6)	(1,263.7)
	Existing operating costs	(1,687.7)	(1,262.0)
	Goodwill amortisation	(7.1)	(1.7)
2	Exceptional operating costs	(3.8)	–
2	<b>Group operating profit – continuing operations</b>	<b>72.6</b>	<b>63.0</b>
	Ongoing operations	58.5	52.2
	Acquisitions	3.2	–
	Marine	10.9	10.8
	Share of operating profit of associated undertakings	1.6	2.2
	Ongoing operations	1.3	1.3
	Marine	0.3	0.9
1,2	<b>Total operating profit: group and share of associates</b>	<b>74.2</b>	<b>65.2</b>
5	Net interest (payable)/receivable	(1.6)	16.2
	<b>Profit on ordinary activities before taxation</b>	<b>72.6</b>	<b>81.4</b>
	Underlying profit before tax	83.5	83.1
	Goodwill amortisation	(7.1)	(1.7)
2	Exceptional operating costs charged to operating profit	(3.8)	–
6	Tax on profit on ordinary activities	(22.8)	(24.1)
	<b>Profit on ordinary activities after taxation</b>	<b>49.8</b>	<b>57.3</b>
	Equity minority interests	(0.7)	(0.8)
23	<b>Profit for the financial year</b>	<b>49.1</b>	<b>56.5</b>
8	Dividends, including non-equity	(28.2)	(26.6)
23	<b>Retained profit for the financial year</b>	<b>20.9</b>	<b>29.9</b>

	1999 Pence	1998 Pence
9 <b>Basic earnings per share</b>	<b>34.3</b>	<b>36.1</b>
9 <b>Underlying earnings per share</b>	<b>41.0</b>	<b>37.2</b>
9 <b>Diluted earnings per share</b>	<b>33.7</b>	<b>35.7</b>
9 <b>Underlying diluted earnings per share</b>	<b>40.3</b>	<b>36.8</b>

## Statement of total recognised gains and losses

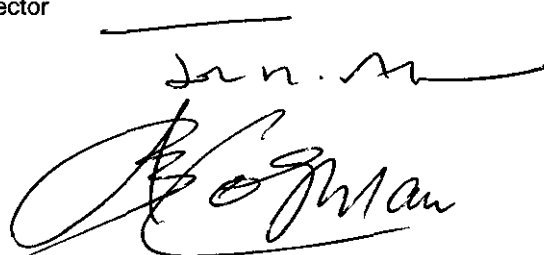
	1999 £m	1998 £m
<b>Profit for the financial year</b>	<b>49.1</b>	<b>56.5</b>
Exchange differences on translation of net assets	(2.1)	–
<b>Total recognised gains and losses for the year</b>	<b>47.0</b>	<b>56.5</b>

# Balance sheets

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		Group		Parent company	
		1999 £m	1998 (restated) £m	1999 £m	1998 (restated) £m
Notes As at 31 December					
<b>Net assets employed</b>					
<b>Fixed assets</b>					
10	Intangible assets: goodwill	252.7	76.5	-	-
11	Tangible assets	252.3	219.6	6.1	7.0
<b>Investments:</b>					
12	Subsidiary undertakings	-	-	169.8	8.4
13	Associated undertakings	5.7	5.9	-	-
14	Own shares	14.3	0.8	14.3	0.8
		20.0	6.7	184.1	9.2
		525.0	302.8	190.2	16.2
<b>Current assets</b>					
	Stock: raw materials and consumables	2.4	3.4	-	-
15	Debtors: amounts falling due within one year	460.0	303.2	32.1	4.6
16	Debtors: amounts falling due after more than one year	70.9	64.9	761.8	754.8
		530.9	368.1	793.9	759.4
29	Current asset investments	6.3	112.2	-	104.8
	Cash at bank and in hand	64.7	48.9	1.4	1.2
		604.3	532.6	795.3	865.4
17	<b>Creditors: amounts falling due within one year</b>	(525.0)	(381.3)	(96.8)	(314.6)
	<b>Net current assets</b>	79.3	151.3	698.5	550.8
	<b>Total assets less current liabilities</b>	604.3	454.1	888.7	567.0
18	<b>Creditors: amounts falling due after more than one year</b>	(183.0)	(57.4)	(302.4)	-
21	<b>Provisions for liabilities and charges</b>	(37.8)	(36.7)	(27.5)	(25.7)
		383.5	360.0	558.8	541.3
<b>Capital and reserves</b>					
22	Called up share capital	40.6	46.1	40.6	46.1
23	Share premium account	56.8	36.4	56.8	36.4
23	Capital redemption reserve	103.5	97.2	103.5	97.2
23	Profit and loss account	178.9	177.0	357.9	361.6
23	<b>Total shareholders' funds</b> (1998, including non-equity interests)	379.8	356.7	558.8	541.3
	Equity minority interests	3.7	3.3	-	-
	<b>Capital employed</b>	383.5	360.0	558.8	541.3

On behalf of the Board  
**J M Allan** Chief Executive  
**J B Coghlan** Finance Director  
 20 February 2000



# Group statement of cash flows

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Note	For the year ended 31 December	1999 £m	1999 £m	1998 £m	1998 £m
27	<b>Net cash inflow from operating activities</b>		<b>73.7</b>		<b>64.7</b>
	<b>Dividends received from associated undertakings</b>		<b>1.4</b>		<b>0.4</b>
	<b>Returns on investments and servicing of finance</b>				
	Interest received	7.3		21.3	
	Interest paid	(4.6)		(3.2)	
	Interest element of finance lease rental payments	(1.7)		(1.8)	
	Cost of debt raised	(1.0)		–	
	Dividends paid to minority shareholders	(0.1)		(0.4)	
	Non-equity dividends paid to shareholders	(0.2)		–	
	<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>		<b>(0.3)</b>		<b>15.9</b>
	<b>Taxation paid</b>		<b>(23.8)</b>		<b>(21.4)</b>
	<b>Capital expenditure and financial investment</b>				
	Purchase of tangible fixed assets	(56.1)		(38.0)	
	Sale of tangible fixed assets	10.7		5.0	
14	Purchase of own shares	(8.0)		(0.5)	
	<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(53.4)</b>		<b>(33.5)</b>
	<b>Acquisitions and disposals</b>				
30	Additions to subsidiary undertakings	(171.2)		(69.8)	
	Payment of deferred consideration	(12.6)		(3.9)	
30	Net (overdrafts)/cash acquired with subsidiary undertakings	(13.1)		5.2	
	Sale of businesses	–		1.7	
	<b>Net cash outflow for acquisitions and disposals</b>		<b>(196.9)</b>		<b>(66.8)</b>
	<b>Equity dividends paid to shareholders</b>		<b>(26.6)</b>		<b>(26.9)</b>
	<b>Net cash outflow before use of liquid resources and financing</b>		<b>(225.9)</b>		<b>(67.6)</b>
	<b>Management of liquid resources</b>				
	Net divestment in three month sterling money market bank deposits	60.6		98.8	
	Net sales of three month sterling commercial paper	45.5		91.9	
	<b>Net cash inflow from management of liquid resources</b>		<b>106.1</b>		<b>190.7</b>
	<b>Financing</b>				
	Debt due within one year:				
	New loans	19.8		2.3	
	Repayment of loans	(11.2)		(10.4)	
	Debt due after more than one year:				
	New loans	127.5		4.0	
	Repayment of loans	(1.3)		(4.1)	
	Capital element of finance lease rental payments	(2.3)		(2.4)	
	Issue of ordinary share capital	6.6		6.1	
	Return of capital to shareholders, inclusive of costs	(6.4)		(97.9)	
	<b>Net cash inflow/(outflow) from financing</b>		<b>132.7</b>		<b>(102.4)</b>
28	<b>Increase in cash in the year</b>		<b>12.9</b>		<b>20.7</b>



A summary of the more important accounting policies adopted by the Group is set out below and is consistent with the previous year, except for the adoption of FRS 12 "Provisions, contingent liabilities and contingent assets" and FRS 16 "Current tax". In addition, the Group has included the disclosure requirements of FRS 13 "Derivatives and financial instruments" (note 20) in these accounts.

The adoption of FRS 12 has necessitated a change in the accounting policy for final restoration of the Group's landfill sites, and the reclassification of certain amounts previously reported in other creditors. The comparative amounts have been restated where appropriate to comply with the requirements of the new accounting standard. An explanation of the changes is given in note 21 to the accounts.

#### **Basis of consolidation**

The Group accounts consolidate the results and financial position of the Company and its subsidiary undertakings and include, using the equity method of accounting, the share of its associated undertakings, all of which are made up to 31 December. Their results are included for the period during which they are a member of the Group. The accounts are prepared under the going concern concept and the historical cost convention and in accordance with applicable accounting standards.

#### **Turnover**

Turnover represents the value of charges from the sale of services and goods to third parties. Turnover excludes value added tax and equivalent taxes, duty and other disbursements made on behalf of customers and intercompany transactions.

#### **Goodwill**

Purchased goodwill is capitalised and amortised by equal annual instalments through the profit and loss account over its estimated life of up to 20 years. The Group's policy up to and including 1997 was to eliminate goodwill arising on acquisitions against reserves. Under the provisions of FRS 10 such goodwill will remain written off to reserves until disposal or termination of the previously acquired business, when the profit or loss on disposal or termination will be calculated after charging the gross amount of any such goodwill. The carrying value of goodwill is reviewed for impairment at the end of the first full year after the acquisition and at other times if circumstances indicate that it may not be recoverable.

#### **Tangible assets**

Fixed assets are stated at cost less depreciation and less permanent reductions in value. Cost includes interest on the funding of major assets until they are brought into use. The discounted cost of the Group's minimum unavoidable costs in relation to the final landfill site restoration is capitalised as a fixed asset.

Depreciation is charged evenly over their estimated useful lives at the following rates:

- Freehold and long leasehold land
  - Not depreciated
- Freehold and long leasehold buildings
  - 35 to 50 years
- Short leasehold
  - Over the life of the lease
- Landfill sites
  - Over the operational life of the site
- Plant & equipment:
  - Marine craft – up to 25 years
  - Other – 2 to 20 years

The carrying values of tangible assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

#### **Leases**

Assets held under finance leases are capitalised and treated as tangible fixed assets at fair value. Depreciation is charged over the shorter of the lease period or its useful life. The deemed capital element of future rentals is included under borrowings. Deemed interest, calculated on a reducing balance basis, is charged as interest payable over the period of the lease. The rental costs arising from operating leases are charged against profit before interest as incurred.

#### **Investments**

The Group's investment in associated undertakings is its interest in their tangible net assets plus loans.

#### **Investment in own shares**

Investment in own shares, held through various trusts, are shown as fixed asset investments in accordance with FRS 5 and UITF Abstract 13. Investments are stated at cost, less accumulated amortisation, unless there is seen to have been a permanent diminution in value when the investments are written down to realisable value.

Under the Long Term Incentive Plan (the "LTIP"), shares in the Company are held in trust pending vesting of any awards. The cost of shares acquired by the trustees for the LTIP is charged to the profit and loss account based on an assessment of the probability of the performance conditions under the Plan being met. The charge is allocated on a straight line basis over the performance period of the Plan.

#### **Foreign currency translation**

All transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward foreign currency contract. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling on the balance sheet date or if appropriate at a forward foreign currency contract rate. All exchange differences are included in the profit and loss account (note 20).

The results and cash flows of foreign subsidiary undertakings are translated at average rates of exchange for the year. Exchange differences arising from retranslating opening net assets of foreign subsidiary undertakings at closing rates are dealt with through reserves together with exchange differences on the translation of foreign currency borrowings funding such investments.

#### **Derivatives and other financial instruments**

Ocean uses instruments to hedge the risks associated with interest rates, and with foreign currency cash flows, profits from overseas subsidiaries, and overseas net assets. Financial instruments, principally forward exchange contracts, are stated at fair value at the balance sheet date, and gains and losses are recognised in the profit and loss account if used to hedge transaction exposures, or through reserves if used to hedge translation exposures. Gains or losses on the hedges are recognised in the period to which they relate.

Interest differentials on financial instruments are recognised by adjusting net interest receivable and payable.

Currency hedges taken out to hedge cashflows are matched to the cashflow and are included in the profit and loss account.

Hedges taken out to hedge overseas profits are matched to the translation of the relevant profits. Gains or losses on the hedges between the contract rate and the average rate are included in the profit and loss account.

Gains and losses on hedging overseas net assets, together with the related tax where applicable, are taken to reserves and included in the statement of total recognised gains and losses.

#### **Deferred taxation**

Provision is made for deferred taxation where a liability is likely to arise in the foreseeable future. Full provision is made for timing differences relating to the pension prepayment.

#### **Pensions**

Pension costs for the Group's defined benefit pension schemes are charged to trading profit so as to spread costs over the expected service lives of the employees in the schemes using the projected unit method. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. For defined contribution schemes, costs are charged to profit as incurred.

#### **Stock**

Stock, principally being raw materials and consumables, is valued at the lower of cost and net realisable value. Cost includes, where appropriate, relevant overheads.

## 1 Segmental analysis

By class of business	Turnover		Total operating profit		Capital employed	
	1999 £m	1998 £m	1999 £m	1998 (restated) £m	1999 £m	1998 (restated) £m
Continuing operations						
<b>Logistics:</b>						
Americas/Pacific	569.7	311.4	10.1	6.9	218.5	40.2
Underlying	569.7	311.4	14.3	7.4	55.4	7.9
Goodwill	-	-	(4.2)	(0.5)	163.1	32.3
Asia	350.0	267.6	13.1	9.0	16.3	10.8
Underlying	350.0	267.6	13.3	9.2	11.9	6.2
Goodwill	-	-	(0.2)	(0.2)	4.4	4.6
Continental Europe & Africa	387.4	354.4	13.5	9.4	98.1	72.8
Underlying	387.4	354.4	13.9	9.4	85.5	68.3
Goodwill	-	-	(0.4)	-	12.6	4.5
UK & Ireland	337.6	270.0	2.0	5.6	117.9	90.3
Underlying	337.6	270.0	7.5	6.6	85.8	57.9
Goodwill	-	-	(1.7)	(1.0)	32.1	32.4
Exceptional operating costs (note 2)	-	-	(3.8)	-	-	-
<b>MSAS Global Logistics</b>	1,644.7	1,203.4	38.7	30.9	450.8	214.1
Underlying	1,644.7	1,203.4	49.0	32.6	238.6	140.3
Goodwill	-	-	(6.5)	(1.7)	212.2	73.8
Exceptional operating costs	-	-	(3.8)	-	-	-
<b>Environmental</b>	92.9	90.5	13.5	12.9	70.3	41.4
Underlying	92.9	90.5	14.1	12.9	30.3	38.7
Goodwill	-	-	(0.6)	-	40.0	2.7
<b>Marine</b>	33.6	32.8	11.2	11.7	50.4	55.5
Underlying	33.6	32.8	11.2	11.7	49.9	55.5
Goodwill	-	-	-	-	0.5	-
<b>SSAP 24 pension credit</b>	-	-	10.8	9.7	68.0	56.0
<b>Total</b>	1,771.2	1,326.7	74.2	65.2	639.5	367.0
Net funds, tax and dividends payable and provisions					(256.0)	(7.0)
<b>Net assets</b>					383.5	360.0

The segmental analysis format has been revised to separate goodwill, the SSAP 24 pension prepayment credit, and allocate central operating costs and assets to the MSAS Global Logistics business in proportion to turnover. The revision to the format has been made to more fairly reflect the underlying performance of the businesses in line with the Group's organisational structure. Capital employed has also been restated for 1998 comparatives following the reclassifications in accordance with FRS 12 (note 21).

## 1 Segmental analysis continued

	Turnover	Total operating profit	Capital employed
	1999 £m	1999 £m	1999 £m
<b>Acquisitions in the year have been included in the following segments by class of business:</b>			
<b>Logistics:</b>			
Americas/Pacific – Mark VII Inc.	193.2	2.6	146.7
Underlying	193.2	4.7	22.3
Goodwill	–	(2.1)	124.4
Continental Europe & Africa – Other	8.6	0.5	21.5
Underlying	8.6	0.7	13.1
Goodwill	–	(0.2)	8.4
<b>Environmental – Cory Environmental (Central) Limited</b>	<b>2.7</b>	<b>0.1</b>	<b>45.6</b>
Underlying	2.7	0.6	8.3
Goodwill	–	(0.5)	37.3
<b>Total</b>	<b>204.5</b>	<b>3.2</b>	<b>213.8</b>

	Turnover		Total operating profit		Capital employed	
	1999 £m	1998 £m	1999 £m	1998 (restated) £m	1999 £m	1998 (restated) £m
<b>By geographical location</b>						
Americas, Australasia & Japan	577.1	313.8	20.5	13.1	220.0	46.6
Asia	350.0	267.6	18.2	13.2	13.5	10.6
Rest of Europe & Africa	433.1	388.0	13.7	19.8	110.1	90.8
UK	411.0	357.3	21.8	19.1	295.9	219.0
<b>Total</b>	<b>1,771.2</b>	<b>1,326.7</b>	<b>74.2</b>	<b>65.2</b>	<b>639.5</b>	<b>367.0</b>

Net funds, tax and dividends payable and provisions	(256.0)	(7.0)
<b>Net assets</b>	<b>383.5</b>	<b>360.0</b>

	Turnover	Total operating profit	Capital employed
	1999 £m	1999 £m	1999 £m
<b>Acquisitions in the year have been included in the following segments by geographical location:</b>			
Americas, Australasia & Japan	193.2	2.6	146.7
Rest of Europe & Africa	8.6	0.5	21.5
UK	2.7	0.1	45.6
<b>Total</b>	<b>204.5</b>	<b>3.2</b>	<b>213.8</b>

Turnover by geographical destination	1999 £m	1998 £m
Americas, Australasia & Japan	579.3	312.5
Asia	350.7	227.1
Rest of Europe & Africa	452.0	395.7
UK	389.2	391.4
<b>Total</b>	<b>1,771.2</b>	<b>1,326.7</b>

Inter-segment turnover between businesses is not material. Turnover by geographical destination for acquisitions is the same as turnover by geographical location as stated above.

## 2 Operating profit

Year ended 31 December 1999	Ongoing operations £m	Acquisitions £m	Marine £m	Total £m
Turnover	1,533.1	204.5	33.6	1,771.2
Staff costs (note 4)	(307.2)	(9.2)	(12.0)	(328.4)
Depreciation and other amounts written off tangible and intangible fixed assets	(28.2)	(3.6)	(2.8)	(34.6)
Depreciation	(23.9)	(0.8)	(2.8)	(27.5)
Goodwill amortisation	(4.3)	(2.8)	—	(7.1)
Amount written off investments	(1.1)	—	—	(1.1)
Other operating charges	(1,138.1)	(188.5)	(7.9)	(1,334.5)
<b>Group operating profit</b>	<b>58.5</b>	<b>3.2</b>	<b>10.9</b>	<b>72.6</b>
Share of operating profit of associated undertakings	1.3	—	0.3	1.6
<b>Total operating profit and profit on ordinary activities before interest</b>	<b>59.8</b>	<b>3.2</b>	<b>11.2</b>	<b>74.2</b>
Year ended 31 December 1998				
Turnover	1,293.9	—	32.8	1,326.7
Staff costs (note 4)	(264.9)	—	(11.7)	(276.6)
Depreciation and other amounts written off tangible and intangible fixed assets	(22.6)	—	(3.4)	(26.0)
Depreciation	(20.9)	—	(3.4)	(24.3)
Goodwill amortisation	(1.7)	—	—	(1.7)
Amount written off investments	(1.0)	—	—	(1.0)
Other operating charges	(953.2)	—	(6.9)	(960.1)
<b>Group operating profit</b>	<b>52.2</b>	<b>—</b>	<b>10.8</b>	<b>63.0</b>
Share of operating profit of associated undertakings	1.3	—	0.9	2.2
<b>Total operating profit and profit on ordinary activities before interest</b>	<b>53.5</b>	<b>—</b>	<b>11.7</b>	<b>65.2</b>

Included within other operating charges for 1999 are exceptional operating costs of £(3.8)m for legal, consultancy, project management, redundancies and start up costs which were incurred in establishing a European Service Centre in Dublin for accounting services to the European Freight Management operations.

## Included within other operating charges are:

	1999 £m	1998 £m
Auditors' remuneration:		
Group audit (including parent company £0.2m, 1998, £0.2m)	1.2	0.9
Year 2000/EMU related services	0.2	0.3
European Service Centre related services	0.9	—
Tax and other services to the Company and its subsidiaries	0.5	0.3
Operating lease rentals:		
Plant and machinery	14.0	12.5
Land and buildings	33.7	30.0
Other assets	3.3	2.7

In addition to the amounts noted above there were other fees paid to PricewaterhouseCoopers during the year of £0.3m (1998, £0.3m) relating to due diligence and other services on acquisitions which have been capitalised.

## 3 Directors

## Directors' remuneration

	1999 £'000	1998 £'000
Aggregate emoluments	1,215	1,159
Gains made on exercise of share options	378	2,466
Company pension contributions to defined contribution scheme	127	120

Retirement benefits are accruing to two (1998, two) Directors under a defined contribution scheme and to three (1998, three) Directors under a defined benefit scheme. As explained in note 26 of the accounts, no payments are being made to the Ocean Nestor Pension Scheme as there is currently a pension holiday.

The emoluments of the Directors are shown below.

	Salary/fees £'000	Benefits in kind £'000	Performance element £'000	1999 Total £'000	1998 Total £'000
<b>Chairman</b>					
N M S Rich	116	–	–	116	116
<b>Executive Directors</b>					
J M Allan	355	12	123	490	455
J B Coghlan	230	3	71	304	288
D E Riddle	157	5	50	212	204
<b>Non-executive Directors</b>					
Sir John Guinness	24	–	–	24	22
A E Isaac	26	–	–	26	22
F W Knight (resigned 26.6.1999)	14	–	–	14	26
J Loudon	29	–	–	29	26
	951	20	244	1,215	1,159

The performance element of Directors' emoluments and share options are calculated on the basis set out in the report of the Remuneration Committee on pages 34 and 35 of these accounts.

## Gains made on the exercise of Directors' share options

	1999 £'000	1998 £'000
J M Allan	–	1,656
J B Coghlan	–	800
D E Riddle	378	10
	378	2,466

The highest paid director is D E Riddle whose emoluments and gains on share options total £590k (1998, J M Allan £2,111k).

The following table shows the Directors' pensions information. Transfer values are calculated by using the cash equivalent transfer value method, which is the method adopted in the Listing Rules of the London Stock Exchange.

	Defined benefit scheme for 1999			Defined contribution scheme	
	Increase in accrued pension £'000	Total accrued pension £'000	Transfer value of the increase £'000	Contributions in the year 1999 £'000	1998 £'000
J M Allan	2	8	24	90	85
J B Coghlan	4	13	28	37	35
D E Riddle	11	102	136	–	–

The pension contributions in the period represent contributions to a funded unapproved retirement benefits scheme.

## 3 Directors continued

## Interests of Directors

The following are the options over Ordinary Shares held by the executive Directors.

## Executive options

Name	Number of options			Exercise price (p)	Middle market price at date of exercise (p)	Date from which exercisable	Expiry date	Total options
	At 1 Jan	Exercised	At 31 Dec					
J M Allan	50,000	–	50,000	249	–	7.10.1997	6.10.2004	
	39,466	–	39,466	375	–	16.10.1998	15.10.2005	89,466
D E Riddle	13,483	(13,483)	–	342	945	–	–	
	2,829	(2,829)	–	291	945	–	–	
	32,373	(12,373)	20,000	260	945	21.5.1996	20.5.2003	
	45,662	–	45,662	294	–	20.5.1997	19.5.2004	
	31,998	(31,998)	–	375	945	–	–	65,662

No executive share options lapsed nor were granted to the executive Directors during the year.

## Savings-related options

Name	Number of options				Exercise price (p)	Middle market price at date of exercise (p)	Date from which exercisable	Expiry date	Total options
	At 1 Jan	Granted	Exercised	At 31 Dec					
J M Allan	6,010	–	–	6,010	287	–	1.12.2000	31.5.2001	6,010
J B Coghlan	4,612	–	–	4,612	374	–	1.12.2001	31.5.2002	4,612
D E Riddle	1,069	–	(1,069)	–	258	871	–	–	
	1,358	–	–	1,358	287	–	1.12.2002	31.5.2003	
	625	–	(625)	–	374	1120	–	–	
	1,604	–	–	1,604	430	–	1.12.2002	31.5.2003	
	441	–	–	441	626	–	1.12.2003	31.5.2004	
	–	284	–	284	819	–	1.12.2002	31.5.2003	3,687

Options under the Savings-Related Share Option Scheme are granted at a discount of 20% to the market price at the date of grant and calculated according to the projected savings plus bonus at maturity.

The middle market price of the shares at 31 December 1999 was 1155p and the range during 1999 was 733.5p to 1300p.

## Long Term Incentive Plan

Provisional awards were made on 15 March 1999, 1 April 1999 and 1 November 1999 under the Long Term Incentive Plan described in the report of the Remuneration Committee on pages 34 and 35. As stated therein, the number of shares ultimately transferred to each Director depends upon certain performance conditions being met. The earliest dates for the vesting of the provisional allocations made in 1999 range between 15 March 2002 and 1 November 2002. Of the awards held at 1 January 1999, the Remuneration Committee resolved that 85% of the awards made on 3 May 1996 should vest as from 3 May 1999; these awards may be exercised one year after the award has vested. The earliest date for other awards held at 1 January 1999 to vest will be 5 August 2000.

The awards to the executive Directors are:

Number of ordinary shares	At 1 Jan	Awarded	Lapsed	At 31 Dec
J M Allan	175,801	42,506	(10,555)	207,752
J B Coghlan	109,125	26,270	(6,620)	128,775
D E Riddle	71,675	18,995	(4,229)	86,441

The value of long term incentive compensation will be included in Directors' emoluments at the time the participants take the shares into their own name (details of the plan are set out in the report of the Remuneration Committee on pages 34 and 35).

**3 Directors continued****Beneficial interests of the Directors**

The beneficial interests of the Directors in the share capital of the Company were:

Number of ordinary shares	At 1 Jan	Purchases	Disposals	At 31 Dec
N M S Rich (note a)	18,000	4,852	–	22,852
J M Allan	25,200	–	–	25,200
J B Coghlan	56,198	–	–	56,198
Sir John Guinness	–	–	–	–
A E Isaac	900	–	–	900
J Loudon	–	–	–	–
D E Riddle (note b)	10,137	62,982	(55,683)	17,436

All of the above were Directors throughout the year.

**Notes**

- a** On 17 March 1999, N M S Rich purchased 3,895 shares at a price of 878.75p per share and Mrs C E Rich purchased 836 shares at a price of 875p per share.

On 1 November 1999, N M S Rich acquired 121 shares at a price of 935p per share following the reinvestment of dividend income on a holding of 18,000 shares under the Company's Dividend Reinvestment Plan.

- b** On 15 March 1999, D E Riddle exercised an option under the Company's Savings-Related Share Option Scheme 1992 in respect of 1,069 shares at a price of 258p per share.

On 6 April 1999, D E Riddle's beneficial interest increased as a result of a net retention of 5,000 shares following the exercise of options totalling 60,683 shares on that date under the Company's Share Option Schemes 1984 and 1994. The price on exercise of the net 5,000 shares acquired was 340p being the average price of options exercised.

On 8 April 1999, D E Riddle increased his beneficial holding as a result of the purchase of 605 shares in a General PEP at a price of 980p per share.

On 1 December 1999, D E Riddle exercised an option under the Company's Savings-Related Share Option Scheme 1992 in respect of 625 shares at a price of 374p per share.

There have been no changes in the Directors' beneficial interests between 31 December 1999 and 20 February 2000. J-C Guez, who was appointed on 1 February 2000, did not hold any shares at the date of appointment or at 20 February 2000.

Three of the Directors (Messrs N M S Rich, J M Allan and J B Coghlan) are also trustees of a benevolent fund, in which they have a non-beneficial interest, set up under the will of the late P H Holt. At 31 December 1999 and 20 February 2000 the fund held 151,875 ordinary shares. The fund redeemed its holding of 168,750 B shares on 19 January 1999 following the Company's capital reorganisation in December 1998.

## 4 Employees

Staff costs	1999 £m	1998 £m
Wages and salaries	304.1	256.2
Social security costs	28.9	24.6
Other pension costs	(4.6)	(4.2)
	328.4	276.6

Other pension costs include a credit of £10.8m (1998, £9.7m) in relation to a pension surplus arising under SSAP 24 as explained in note 26.

Average number of employees	1999	1998
Logistics:		
Americas/Pacific	2,800	2,000
Asia	3,000	2,800
Continental Europe & Africa	5,100	4,700
UK & Ireland	3,900	3,400
Environmental	1,500	1,600
Marine	400	400
	16,700	14,900

## 5 Net interest

	1999 £m	1998 £m
Receivable	6.1	21.3
Payable:		
Loans not fully repayable within five years	(1.2)	(1.3)
Loans and bank overdrafts wholly repayable within five years	(4.9)	(1.9)
Finance leases	(1.7)	(1.8)
	(7.8)	(5.0)
Capitalised	0.2	0.1
Share of associated undertakings	(0.1)	(0.2)
	(1.6)	16.2

## 6 Tax on profit on ordinary activities

	1999 £m	1999 £m	1998 £m	1998 £m
UK tax:				
Corporation tax at 30.25% (1998, 31.0%)	8.4		18.5	
Relief for overseas tax	(0.6)		(0.7)	
Deferred tax	3.2		2.3	
Advance corporation tax written off/(back)	1.0		(6.4)	
Adjustments in respect of prior years	(3.0)		0.8	
		9.0		14.5
Overseas tax:				
Current tax	12.0		8.3	
Deferred tax	0.3		0.4	
Adjustments in respect of prior years	1.4		0.2	
		13.7		8.9
Associated undertakings		0.1		0.7
		22.8		24.1

The 1999 profit and loss account has benefited from a tax credit of £2.4m arising on a contribution to the Company's qualifying employee share ownership trust ("QUEST"). In addition, the tax charge includes a credit of £1.3m arising on the exceptional operating costs of £(3.8)m (note 2). The advance corporation tax written off in 1999 has arisen as a result of adjustments to prior year tax figures.



**7 Profit of the parent company**

	1999 £m	1998 £m
The parent company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.		
Profit for the year dealt with in the parent company after dividends from subsidiary undertakings	38.9	83.7

There are no recognised gains or losses other than the profit for the year.

**8 Dividends**

	1999 £m	1998 £m
Equity: ordinary shares		
Interim paid 6.35p (1998, 5.85p)	9.1	9.3
Second interim proposed 13.20p (1998, 12.10p)	18.9	17.3
Non-equity: redeemable B shares paid	0.2	—
	28.2	26.6

Dividends amounting to £0.2m (1998, £nil) in respect of the Company's shares held by the LTIP (note 14) have been deducted in arriving at the aggregate of dividends paid and proposed. Dividends amounting to £0.4m (1998, £ nil) on shares held by the QUEST and ESOS trusts have been waived.

**9 Earnings per share**

	Earnings per share						
	Pre-tax profit £m	Taxation £m	Minority interests £m	B share dividends £m	Earnings £m	Basic p	Diluted p
<b>Year ended 31 December 1999</b>							
Basic	72.6	(22.8)	(0.7)	(0.2)	48.9	34.3	33.7
Add back:							
Amortisation of goodwill	7.1	—	—	—	7.1	5.0	4.9
Exceptional operating costs	3.8	(1.3)	—	—	2.5	1.7	1.7
Underlying	83.5	(24.1)	(0.7)	(0.2)	58.5	41.0	40.3
<b>Year ended 31 December 1998</b>							
Basic	81.4	(24.1)	(0.8)	—	56.5	36.1	35.7
Add back:							
Amortisation of goodwill	1.7	—	—	—	1.7	1.1	1.1
Underlying	83.1	(24.1)	(0.8)	—	58.2	37.2	36.8

**Number of shares ('000; weighted average)**

	1999	1998
Basic	142,767	156,546
Dilution adjustment for share options and other excluded shares	2,311	1,590
Diluted	145,078	158,136

In order to show results from operating activities on a comparable basis, an adjusted earnings per equity share has been calculated which excludes exceptional operating costs. In addition, due to the significant impact of acquisitions on the results, goodwill amortisation has also been excluded from adjusted earnings in order to show the results on a comparable basis with those from operations existing before the acquisitions were made.

## 10 Intangible assets: goodwill

	Cost £m	Amortisation £m	Net book amount £m
At 1 January 1999	78.2	(1.7)	76.5
Amount capitalised:			
1999 acquisitions (note 30)	173.4	–	173.4
1998 acquisitions (note 30)	9.9	–	9.9
Amortisation for the year	–	(7.1)	(7.1)
<b>At 31 December 1999</b>	<b>261.5</b>	<b>(8.8)</b>	<b>252.7</b>

Purchased goodwill at cost is determined by the excess of the consideration paid over the underlying assets of the businesses acquired. It represents the excess value inherent in the businesses over their underlying net assets. This is due to a combination of factors such as the strategic position of the business and its potential for integration with existing businesses, the expansion into markets in which the Group has not previously been active, and the intrinsic quality of the underlying earnings of the business. Purchased goodwill is reviewed to ensure that the assumptions made at the time of the acquisition are still valid and that the earnings of the businesses support the carrying value of the goodwill. Goodwill is amortised on a straight line basis over its expected useful life (currently 20 years).

## 11 Tangible assets

Group	Plant & equipment			Land & buildings		Total
	Owned £m	Leased £m	Freehold £m	Long leasehold £m	Short leasehold £m	£m
<b>Cost</b>						
At 1 January 1999 – as previously reported	207.3	19.4	101.5	2.3	33.2	363.7
Prior year adjustment (note 21)	–	–	1.7	–	–	1.7
At 1 January 1999 – as restated	207.3	19.4	103.2	2.3	33.2	365.4
Acquisitions	9.5	0.6	12.7	–	2.9	25.7
Additions	34.0	0.2	14.0	4.8	2.7	55.7
Disposals	(18.0)	(2.2)	(4.8)	–	(0.6)	(25.6)
Exchange adjustments	(2.5)	(0.1)	(4.5)	–	(2.5)	(9.6)
<b>At 31 December 1999</b>	<b>230.3</b>	<b>17.9</b>	<b>120.6</b>	<b>7.1</b>	<b>35.7</b>	<b>411.6</b>
<b>Accumulated depreciation</b>						
At 1 January 1999	(106.4)	(14.4)	(17.3)	(1.2)	(6.5)	(145.8)
Acquisitions	(3.6)	–	(0.9)	–	–	(4.5)
Depreciation for the year	(21.2)	(1.1)	(2.9)	(0.3)	(2.0)	(27.5)
Disposals	13.7	2.0	0.7	–	0.3	16.7
Exchange adjustments	1.3	–	0.3	–	0.2	1.8
<b>At 31 December 1999</b>	<b>(116.2)</b>	<b>(13.5)</b>	<b>(20.1)</b>	<b>(1.5)</b>	<b>(8.0)</b>	<b>(159.3)</b>
<b>Net book amount</b>						
<b>At 31 December 1999</b>	<b>114.1</b>	<b>4.4</b>	<b>100.5</b>	<b>5.6</b>	<b>27.7</b>	<b>252.3</b>
At 31 December 1998 (restated)	100.9	5.0	85.9	1.1	26.7	219.6

The gross amount of capitalised interest included in tangible assets is £1.8m (1998, £1.6m).

## 11 Tangible assets continued

	Plant & equipment		Land & buildings		Total
	Owned £m	Freehold £m	Long leasehold £m	Short leasehold £m	£m
<b>Parent company</b>					
<b>Cost</b>					
At 1 January 1999	2.0	8.5	–	0.6	11.1
Additions	–	3.2	0.1	–	3.3
Disposals	(2.0)	(3.8)	–	(0.5)	(6.3)
<b>At 31 December 1999</b>	<b>–</b>	<b>7.9</b>	<b>0.1</b>	<b>0.1</b>	<b>8.1</b>
<b>Accumulated depreciation</b>					
At 1 January 1999	(1.4)	(2.1)	–	(0.6)	(4.1)
Depreciation for the year	–	–	–	–	–
Disposals	1.4	0.2	–	0.5	2.1
<b>At 31 December 1999</b>	<b>–</b>	<b>(1.9)</b>	<b>–</b>	<b>(0.1)</b>	<b>(2.0)</b>
<b>Net book amount</b>					
<b>At 31 December 1999</b>	<b>–</b>	<b>6.0</b>	<b>0.1</b>	<b>–</b>	<b>6.1</b>
At 31 December 1998	0.6	6.4	–	–	7.0

## 12 Investments in subsidiary undertakings

	Cost £m	Amounts provided £m	Net book amount £m
<b>Parent company</b>			
At 1 January 1999	67.9	(59.5)	8.4
Increase in investment	161.4	–	161.4
<b>At 31 December 1999</b>	<b>229.3</b>	<b>(59.5)</b>	<b>169.8</b>

The investments in subsidiary undertakings are unlisted. Details of the principal subsidiary undertakings are shown in note 31.

## 13 Investments in associated undertakings

Group	Cost of shares £m	Share of retained profits £m	Amounts provided £m	Total £m
At 1 January 1999	4.5	1.8	(0.4)	5.9
Acquisitions (note 30)	(0.1)	0.1	–	–
Share of profit for year	–	1.4	–	1.4
Dividends and other movements for the year	–	(1.6)	–	(1.6)
<b>At 31 December 1999</b>	<b>4.4</b>	<b>1.7</b>	<b>(0.4)</b>	<b>5.7</b>

The investments in associated undertakings are unlisted and do not include any joint ventures.

## 14 Investments in own shares

Group and parent company	LTIP cost £m	LTIP amortisation £m	LTIP net book amount £m	ESOS cost £m	QUEST cost £m	Total net book amount £m
At 1 January 1999	3.1	(2.3)	0.8	—	—	0.8
Purchase of shares	2.3	—	2.3	5.7	—	8.0
Shares allotted to the QUEST (note 22)	—	—	—	—	7.5	7.5
Amortisation for the year	—	(1.1)	(1.1)	—	—	(1.1)
Exercise of options	—	—	—	—	(0.9)	(0.9)
<b>At 31 December 1999</b>	<b>5.4</b>	<b>(3.4)</b>	<b>2.0</b>	<b>5.7</b>	<b>6.6</b>	<b>14.3</b>

At 31 December 1999 2,904,486 (1998, 620,210) ordinary shares were held in trust on behalf of employees who hold options under the Company's Save As You Earn scheme ("QUEST"), executive share option schemes ("ESOS") and Long Term Incentive Plan ("LTIP"). The shares are carried at a value equal to the price to be paid upon exercise of the share options. The market value of these shares at 31 December 1999 was £33.5m (1998, £4.7m). Dividend income is waived by the trusts on shares held, except for those shares held in trust for the Long Term Incentive Plan (note 3). Details of the LTIP, ESOS and QUEST are given in the report of the Remuneration Committee on pages 34 and 35 of these accounts.

## 15 Debtors: amounts falling due within one year

	Group		Parent company	
	1999 £m	1998 £m	1999 £m	1998 £m
Trade debtors	342.5	229.1	0.2	0.4
Amounts due from group undertakings	—	—	22.0	—
Taxation recoverable	4.3	1.6	2.3	0.2
Advance corporation tax recoverable	8.2	7.0	—	1.5
Other debtors	85.2	46.9	7.1	2.1
Prepayments and accrued income	19.8	18.6	0.5	0.4
	<b>460.0</b>	<b>303.2</b>	<b>32.1</b>	<b>4.6</b>

## 16 Debtors: amounts falling due after more than one year

	Group		Parent company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts due from group undertakings	—	—	693.8	695.4
Advance corporation tax recoverable	2.9	8.9	—	3.4
Pension prepayment	68.0	56.0	68.0	56.0
	<b>70.9</b>	<b>64.9</b>	<b>761.8</b>	<b>754.8</b>

Amounts due from group undertakings are considered unlikely to be settled within 12 months.

The prepayment in respect of pensions represents the part of the surplus in the pension scheme which has already been reflected in the Group accounts under SSAP 24 (note 26). It represents a prepayment of pension contributions for future years.

## 17 Creditors: amounts falling due within one year

	Group		Parent company	
	1999 £m	1998 (restated) £m	1999 £m	1998 (restated) £m
Bank loans and other borrowings (note 19)	59.1	19.7	17.4	6.1
Trade creditors	224.6	146.7	0.1	0.4
Amounts due to group undertakings	–	–	0.6	225.6
Taxation payable	62.6	64.1	50.1	51.9
Advance corporation tax	–	7.0	–	–
Other taxation and social security	15.0	12.7	–	0.2
Proposed dividend	18.9	17.3	18.9	17.3
Deferred consideration	12.0	15.9	–	–
Other creditors	47.8	33.0	9.7	8.9
Accruals and deferred income	85.0	64.9	–	4.2
	525.0	381.3	96.8	314.6

The comparatives for other creditors have been adjusted following the adoption of FRS12 (note 21).

## 18 Creditors: amounts falling due after more than one year

	Group		Parent company	
	1999 £m	1998 £m	1999 £m	1998 £m
Bank loans and other borrowings (note 19)	164.0	40.8	126.5	–
Amounts due to group undertakings	–	–	175.9	–
Deferred consideration	15.8	13.8	–	–
Other creditors	3.2	2.8	–	–
	183.0	57.4	302.4	–

## 19 Borrowings

	Group		Parent company	
	1999 £m	1998 £m	1999 £m	1998 £m
Long term: loans not wholly repayable within five years	32.7	28.4	–	–
Medium term: loans repayable within five years	134.7	16.3	126.5	–
Short term: loans repayable within one year	44.6	9.2	17.3	–
<b>Total loans and lease finance</b>	<b>212.0</b>	<b>53.9</b>	<b>143.8</b>	<b>–</b>
Overdrafts	11.1	6.6	0.1	6.1
<b>Total borrowings</b>	<b>223.1</b>	<b>60.5</b>	<b>143.9</b>	<b>6.1</b>
Secured on assets of Group undertakings	45.6	42.5	–	–
Unsecured	177.5	18.0	143.9	6.1
	223.1	60.5	143.9	6.1

## Repayment profile

	Loans and overdrafts		Lease finance	
	1999 £m	1998 £m	1999 £m	1998 £m
<b>Group</b>				
Five years and over (wholly repayable by instalments)	17.7	14.9	6.2	6.0
Between two and five years	131.9	4.0	5.1	10.7
Between one and two years	2.0	3.6	1.1	1.6
	151.6	22.5	12.4	18.3
Under one year:				
Loans and lease finance	41.4	10.8	6.6	2.3
Overdrafts	11.1	6.6	–	–
	204.1	39.9	19.0	20.6

Parent company borrowings of £17.4m are repayable within one year (1998, £6.1m).

## Undrawn committed borrowing facilities

On 20 August 1999 a committed syndicated loan facility was agreed for £225m, repayable by 20 August 2004. Of this facility £98.5m was undrawn at 31 December 1999.

## 20 Derivatives and other financial instruments

A discussion on treasury management, objectives, policies and strategy is given in the "treasury risk management" section of the financial review on pages 20 and 21. Short term debtors and creditors have been excluded from all the following disclosures, other than currency risk exposures.

## Interest rate risk profile of financial assets

Group	Floating rate financial assets £m	On which no interest is received £m	Total £m
<b>1999</b>			
Sterling	11.6	–	<b>11.6</b>
US Dollar	15.4	–	<b>15.4</b>
euro	19.1	1.4	<b>20.5</b>
Other	16.4	7.1	<b>23.5</b>
<b>Total</b>	<b>62.5</b>	<b>8.5</b>	<b>71.0</b>
<b>1998</b>			
Sterling	107.9	–	<b>107.9</b>
US Dollar	16.4	–	<b>16.4</b>
euro	17.2	0.4	<b>17.6</b>
Other	17.7	1.5	<b>19.2</b>
<b>Total</b>	<b>159.2</b>	<b>1.9</b>	<b>161.1</b>

Floating rate financial assets are at interest rates fixed in advance for periods ranging up to 6 months based on the relevant national LIBOR equivalents. There are no fixed rate financial assets. Financial assets on which no interest is paid are available immediately.

## Interest rate risk profile of financial liabilities

Group	Fixed rate financial liabilities			Floating rate financial liabilities £m	On which no interest is paid £m	Total £m
	Weighted average interest rate	Period for which rate is fixed (years)	Amount £m			
<b>1999</b>						
Sterling	10.1%	0.5	0.3	131.3	8.5	<b>140.1</b>
US Dollar	4.9%	1.4	0.6	38.9	15.5	<b>55.0</b>
euro	6.4%	5.5	36.2	12.4	0.3	<b>48.9</b>
Other	6.4%	1.5	0.6	2.8	–	<b>3.4</b>
<b>Total</b>			<b>37.7</b>	<b>185.4</b>	<b>24.3</b>	<b>247.4</b>
<b>1998</b>						
Sterling (includes £6.3m B shares)	5.4%	4.0	7.1	7.6	11.7	26.4
US Dollar	6.0%	2.4	0.6	3.8	6.0	10.4
euro	7.4%	3.8	30.1	12.7	7.8	50.6
Other	6.4%	2.4	1.0	3.9	–	4.9
<b>Total</b>			<b>38.8</b>	<b>28.0</b>	<b>25.5</b>	<b>92.3</b>

Floating rate financial liabilities bear interest at rates fixed in advance for periods ranging up to 12 months based on the relevant national LIBOR equivalents.

The maturity profile of the Group's interest bearing financial liabilities at 31 December is shown in note 19.

There were no interest or currency hedging instruments at the balance sheet date that affect the above analysis. There were, however, some forward rate agreements in place that came into effect in January 2000 which hedge interest rate exposures for up to 6 months.

**20 Derivatives and other financial instruments continued**

The maturity profile of the Group's non-interest bearing financial liabilities at 31 December was as follows:

	1999 £m	1998 £m
Five years and over	0.4	0.3
Between two and five years	20.8	18.7
Between one and two years	1.6	2.4
Under one year	1.5	4.1
	24.3	25.5

**Fair value**

There were no significant differences between book values and fair values of the Group's primary financial assets and financial liabilities as shown in the above tables except for long term borrowings, principally the euro, where the value of the liability exceeded book value by £0.1m (1998, £0.3m).

**Currency risk****Structural currency exposures**

As explained in the "treasury risk management" section of the financial review on pages 20 and 21, the Group's objective in managing the currency exposures arising from its net investment overseas is to hedge these exposures with a combination of currency borrowings and forward exchange contracts. Exchange gains and losses arising from structural currency exposures, net of hedges, are recognised in the statement of total recognised gains and losses.

**Transactional currency exposures**

Transactional currency exposures arise from trading transactions denominated in currencies other than the functional currency of the business. These exposures give rise to net currency gains and losses recognised in the profit and loss account.

MSAS Global Logistics carries on a significant amount of intra-group activity across the world. To control the currency exposures arising from this trading activity, Ocean's treasury department ("Group Treasury") operates an intercompany netting system which passes the non-functional currency exchange risk to Group Treasury. The residual exchange risks are hedged by Group Treasury using forward foreign currency contracts. The net foreign currency monetary assets and liabilities are shown below.

Functional currency of group operation	US Dollar £m	euro £m	Other £m	Total £m
<b>1999</b>				
Sterling	12.0	–	(10.9)	1.1
<b>1998</b>				
Sterling	0.6	0.3	0.8	1.7

The net exchange gain/(loss) on transactional exposures taken to the profit and loss account was £0.3m (1998, £0.2m).

## 20 Derivatives and other financial instruments continued

## Hedges

The Group's policies for managing interest rate and currency risk are explained in the "treasury risk management" section of the financial review on pages 20 and 21.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and at the end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

	Unrecognised			Deferred		
	Gains £m	(Losses) £m	Total £m	Gains £m	(Losses) £m	Total £m
<b>1999</b>						
Gains and losses on hedges at 1 January 1999	–	–	–	–	–	–
Gains and losses arising in 1999 that were not recognised in 1999	0.4	–	0.4	–	–	–
<b>Gains and losses on hedges at 31 December 1999</b>	<b>0.4</b>	<b>–</b>	<b>0.4</b>	<b>–</b>	<b>–</b>	<b>–</b>
Of which:						
Gains and losses expected to be recognised in 2000	0.4	–	0.4	–	–	–
<b>1998</b>						
Gains and losses on hedges at 1 January 1998	1.3	–	1.3	0.4	–	0.4
Arising in previous years that were recognised in 1998	(1.3)	–	(1.3)	(0.4)	–	(0.4)
<b>Gains and losses on hedges at 31 December 1998</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The unrecognised and deferred gains and losses shown in the above table are calculated by valuing the forward rate agreements and forward foreign currency contracts to market value at the balance sheet date.

The Group does not trade in financial instruments.

## 21 Provisions for liabilities and charges

Group	Environment £m	Vacant properties £m	Litigation £m	Deferred tax £m	Total £m
At 1 January 1999 – as previously reported	3.8	–	2.9	19.5	26.2
Prior year adjustment	1.7	3.5	5.3	–	10.5
At 1 January 1999 – as restated	5.5	3.5	8.2	19.5	36.7
Acquisitions	0.2	–	–	1.1	1.3
Charged to profit and loss account	0.1	0.8	0.2	3.4	4.5
Utilised in year	(0.2)	(0.7)	(3.4)	(0.4)	(4.7)
Exchange adjustments	–	–	(0.1)	0.1	–
<b>At 31 December 1999</b>	<b>5.6</b>	<b>3.6</b>	<b>4.9</b>	<b>23.7</b>	<b>37.8</b>

Following the adoption of FRS12, amounts have been reclassified from creditors to provisions (£8.8m). In addition, £1.7m of assets for costs of restoration of landfill sites have been capitalised and a provision created for these future costs, previously a provision for these costs was created over the life of the landfill sites.

Parent company	Vacant properties £m	Litigation £m	Deferred tax £m	Total £m
At 1 January 1999 – as previously reported	–	–	16.3	16.3
Prior year adjustment	3.5	5.9	–	9.4
At 1 January 1999 – as restated	3.5	5.9	16.3	25.7
Charged to profit and loss account	0.8	–	3.7	4.5
Utilised in year	(0.7)	(2.0)	–	(2.7)
<b>At 31 December 1999</b>	<b>3.6</b>	<b>3.9</b>	<b>20.0</b>	<b>27.5</b>

Following the adoption of FRS12, amounts have been reclassified from creditors to provisions (£9.4m).



**21 Provisions for liabilities and charges continued****Environment**

The Environmental division operates a number of landfill sites in the UK. Provision is made for the costs of restoring sites to the condition required by the planning consent. These provisions will be utilised over the life of the relevant landfill sites which range from 4 to 20 years. The amount and timing of these costs may be impacted by a number of factors including rate of usage of the site, and changes in legislation and technology. In determining the provision, the cash flows have been discounted on a pre-tax basis using a discount rate of 7%.

**Vacant properties**

The Group has a number of properties which are surplus to the requirements of the operating businesses. Where possible, these properties are let at market rents, or sold. Provision has been made for the residual lease commitments which are in excess of the income generated by the properties. The residual leases of these properties range between 1 and 11 years.

**Litigation**

In common with many international trading companies, the Group is subject to various claims. Although the Group considers that it is able to defend itself in the majority of cases, provision for the expected cost is made each year. The various litigations covered by these provisions are at varying stages in the process of establishing whether claims are justified. In our experience, there is no pattern to the settlement of claims and it can take up to and over 5 years.

**Deferred tax**

	Amount provided		Not provided	
	1999 £m	1998 £m	1999 £m	1998 £m
Accelerated capital allowances	3.7	2.7	17.6	17.6
Pension prepayment	20.0	16.8	—	—
	23.7	19.5	17.6	17.6

In addition to the amounts shown above, advance corporation tax of £5.7m (1998, £4.6m) is available for use against future corporation tax liabilities. No provision has been made for deferred tax in respect of earnings which are retained overseas because the availability of double tax relief will ensure that no UK tax will be payable on any earnings intended to be remitted to the UK in the immediate future.

**22 Share capital**

	Ordinary shares of 27½p	Redeemable B shares of 65½p
<b>Authorised (number of shares '000)</b>		
At 1 January 1999	192,000	159,800
Shares cancelled	—	(159,800)
At 31 December 1999	192,000	—
<b>Allotted, issued and fully paid (number of shares '000)</b>		
At 1 January 1999	143,093	9,766
Shares issued	3,016	—
Shares redeemed	—	(9,766)
At 31 December 1999	146,109	—
<b>Allotted, issued and fully paid (£m)</b>		
At 1 January 1999	39.8	6.3
Shares issued	0.8	—
Shares redeemed	—	(6.3)
At 31 December 1999	40.6	—

## 22 Share capital continued

The B shares had a nominal value of 65½p each and a dividend of 4.75% per annum. Dividends on these shares were paid six monthly in arrears with the first dividend paid on 30 June 1999. The B shares were redeemed at par by the Company between 14 December 1998 and 30 December 1999.

During the year, a number of options granted under the Company's share option schemes were exercised at a range of prices between 249p and 453p, as a result of which 1,031,265 shares were issued. In addition 22,772 shares were issued under the Company's savings-related share option schemes at a range of prices between 215p and 626p. The net aggregate consideration received from employees was £5.6m. A further 128,362 shares were allotted to two executives in Mark VII Inc. as a result of a Stock Purchase and Stockholder Agreement entered into in connection with the acquisition of Mark VII Inc.

On 8 March 1999, the QUEST subscribed at market value for 1,833,748 of the Company's ordinary shares. The shares rank pari passu in all respects with existing ordinary shares. They will be allocated to employees and directors in satisfaction of their options under the Company's Save As You Earn option schemes.

The QUEST was established, under a deed of trust, on 2 December 1998 to acquire shares in the Company for the benefit of employees and directors of the Company. Under the terms of the QUEST, which is an employee share scheme as defined in Section 743 of the Companies Act 1985, the Company is empowered to finance the acquisition of shares by the QUEST. On 8 March 1999, the Company provided £15.6m to the QUEST for this purpose.

The cost of this contribution, being the difference between the total value advanced to the QUEST and the amount receivable on exercise of the share options amounting to £8.1m, has been charged by the Company directly to profit and loss account reserves (note 23). A share premium has been established for the excess of the subscription price over nominal value, which amounts to £15.1m.

The shares held by the QUEST at 31 December 1999 have been included in the Group balance sheet at a value equivalent to the amounts receivable from employees on exercise of their options, reflecting their ultimate purpose which is to satisfy options granted to employees and directors of the Company (note 14). The net aggregate consideration received from the exercise of the options in 1999 was £0.9m.

Under the terms of the trust deed, dividends are required to be waived on the shares held by the QUEST.

The following options which are over ordinary shares remained outstanding at 31 December 1999:

	Number of shares '000	Subscription price per share (p)	Period over which exercisable	Number of shares '000	Subscription price per share (p)	Period over which exercisable
Savings-Related Share Option Scheme 1992	47	258	2000/2001	179	430	2002/2003
	4	215	2000	78	430	2005/2006
	62	215	2001/2002	147	626	2001/2002
	190	287	2000/2001	156	626	2003/2004
	49	287	2002/2003	115	626	2005/2006
	11	374	2000	165	819	2002/2003
	154	374	2001/2002	110	819	2004/2005
	70	374	2003/2004	53	819	2006/2007
	125	430	2000/2001			
Share Option Scheme 1984	20	260	2000/2003	50	249	2000/2004
	46	294	2000/2004			
Share Option Scheme 1994						
– UK Scheme	49	375	2000/2005	266	702	2001/2008
	14	423	2000/2006	23	798	2001/2008
	69	453	2000/2006	306	784	2001/2008
	194	486	2000/2007	99	871	2002/2009
	26	524	2000/2007	334	1053	2002/2009
	222	537	2000/2007			
– Overseas Scheme	8	305	2000/2005	191	537	2000/2007
	9	375	2000/2005	221	702	2001/2008
	41	423	2000/2006	261	784	2001/2008
	72	453	2000/2006	201	871	2002/2009
	164	486	2000/2007	429	1053	2002/2009

The options above constitute 3.4% of the issued shares of the Company. Shares are held by the QUEST and ESOS to satisfy 2,026,872 shares related to the above options (note 14).

## 23 Movements in shareholders' funds

Group	Share capital			Capital redemption reserve £m	Profit and loss account £m	1999 Total £m	1998 £m
	Equity £m	Non-equity £m	Share premium £m				
At 1 January 1999	39.8	6.3	36.4	97.2	177.0	356.7	418.7
Shares issued:							
Allotted to the QUEST	0.5	—	15.1	—	(8.1)	7.5	—
Other	0.3	—	5.3	—	—	5.6	6.1
Redemption of B shares	—	(6.3)	—	6.3	(6.3)	(6.3)	(97.2)
Costs of share issue and reconstruction	—	—	—	—	—	—	(0.7)
Profit for the financial year	—	—	—	—	49.1	49.1	56.5
Dividends	—	—	—	—	(28.2)	(28.2)	(26.6)
Exchange differences	—	—	—	—	(2.1)	(2.1)	—
Goodwill written off on pre 1 January 1998 acquisitions (note 30)	—	—	—	—	(2.5)	(2.5)	(0.1)
<b>At 31 December 1999</b>	<b>40.6</b>	<b>—</b>	<b>56.8</b>	<b>103.5</b>	<b>178.9</b>	<b>379.8</b>	<b>356.7</b>

The cumulative goodwill on acquisitions which has been taken to reserves is £117.6m (1998, £115.1m).

Parent company	Share capital			Capital redemption reserve £m	Profit and loss account £m	1999 Total £m	1998 £m
	Equity £m	Non-equity £m	Share premium £m				
At 1 January 1999	39.8	6.3	36.4	97.2	361.6	541.3	575.5
Shares issued:							
Allotted to the QUEST	0.5	—	15.1	—	(8.1)	7.5	—
Other	0.3	—	5.3	—	—	5.6	6.6
Redemption of B shares	—	(6.3)	—	6.3	(6.3)	(6.3)	(97.2)
Costs of share issue and reconstruction	—	—	—	—	—	—	(0.7)
Profit for the financial year	—	—	—	—	38.9	38.9	83.7
Dividends	—	—	—	—	(28.2)	(28.2)	(26.6)
<b>At 31 December 1999</b>	<b>40.6</b>	<b>—</b>	<b>56.8</b>	<b>103.5</b>	<b>357.9</b>	<b>558.8</b>	<b>541.3</b>

Shareholders' funds	Group		Parent company	
	1999 £m	1998 £m	1999 £m	1998 £m
Equity	379.8	350.4	558.8	535.0
Non-equity	—	6.3	—	6.3
	<b>379.8</b>	<b>356.7</b>	<b>558.8</b>	<b>541.3</b>

**24 Capital commitments**

	Group	
	1999 £m	1998 £m
Capital expenditure for which contracts have been placed but which is not otherwise provided for	<b>24.8</b>	14.4

**25 Financial commitments**

The Group has annual commitments under non-cancellable operating leases which expire as follows:

	Land and buildings		Other assets	
	1999 £m	1998 £m	1999 £m	1998 £m
Under one year	<b>10.6</b>	8.6	<b>2.5</b>	3.9
Between one and two years	<b>8.2</b>	4.6	<b>2.9</b>	3.1
Between two and five years	<b>10.7</b>	8.0	<b>5.1</b>	5.1
Five years and over	<b>12.8</b>	11.9	<b>0.8</b>	0.3
	<b>42.3</b>	33.1	<b>11.3</b>	12.4

The Group has contingent liabilities of £13.3m (1998, £12.4m), principally for guarantees in connection with performance bonds. In addition the parent company has issued guarantees on behalf of certain subsidiary undertakings in respect of bank and other credit facilities amounting to £129.5m (1998, £97.7m).

**26 Pension commitments**

The Group operates contributory funded pension schemes covering the majority of its permanent employees. The membership of the major UK schemes represents approximately 80% of the total number of employees and deferred and actual pensioners belonging to Group Schemes.

The major UK schemes are of the defined benefit type and are administered by external trustees independently of the Group's finances. The pension cost for these schemes has been assessed with the advice of an independent qualified actuary using the projected unit method. The last full actuarial valuation of these schemes was carried out as at 31 March 1998. The major actuarial assumptions were:

Investment return	7% per annum
Salary growth	5% per annum
Pension increase	3% per annum
Dividend growth	4% per annum

The market value of the assets in the UK schemes at the valuation date was £681m. The actuarial valuation of these assets represented 155% of the liabilities for benefits that had accrued to members after allowing for expected future increases in salaries. The actuary has been able to recommend the continued suspension of the Group's contributions to the main UK pension scheme (Ocean Nestor Pension Scheme) until at least 31 December 2002. The pension surplus is spread on a level percentage of pay method using the average estimated remaining service life of employees, currently 14 years. The pension credit comprises a regular cost of £7.6m less a variation arising from the surplus, amounting to £18.4m.

The main defined benefit schemes outside the UK have been assessed in accordance with advice from qualified actuaries and are accounted for using SSAP 24. The value of the assets in these schemes approximated to the benefits that had accrued to members after allowing for expected future increases in salaries. The charge included in the profit and loss account in relation to these schemes was £5.1m (1998, £3.7m).

**27 Net cash inflow from operating activities**

	Group	
	1999 £m	1998 £m
Operating profit	72.6	63.0
Depreciation	27.5	24.3
Amortisation of goodwill	7.1	1.7
Amortisation of other fixed asset investments	1.1	1.1
Profit on sales of tangible fixed assets	(1.8)	—
Decrease in stock	1.1	0.2
Increase in debtors	(98.0)	(0.9)
Increase/(decrease) in creditors	67.3	(25.8)
(Decrease)/increase in provisions	(3.2)	1.1
Net cash inflow from operating activities	73.7	64.7

Mark VII Inc. contributed £7.6m to the Group's net cash inflow from operating activities in 1999.

**28 Reconciliation of net cash flow to movement in net (debt)/funds**

	Group	
	1999 £m	1998 £m
Increase in cash in the year	12.9	20.7
Cash (inflow)/outflow from (increase)/decrease in debt	(131.5)	10.6
Cash inflow from change in liquid resources	(106.1)	(190.7)
Change in net funds resulting from cash flows	(224.7)	(159.4)
Loans and finance leases acquired with subsidiaries	(31.3)	(10.8)
Non-cash movements	3.3	(2.8)
Movement in net funds in the year	(252.7)	(173.0)
Net funds at start of year	100.6	273.6
Net (debt)/funds at the end of year	(152.1)	100.6

Liquid resources comprise current asset investments including commercial paper and term deposits.

**29 Analysis of net (debt)/funds**

	At 1 Jan 1999 £m	Cash flow £m	Acquisitions, excluding cash and overdrafts £m	Other non-cash changes £m	Exchange movements £m	At 31 Dec 1999 £m
Cash at bank and in hand	48.9	17.3			(1.5)	64.7
Overdrafts	(6.6)	(4.4)			(0.1)	(11.1)
		12.9				
Finance debts due after more than one year	(22.5)	(125.2)	(8.9)	2.2	2.8	(151.6)
Finance debts due within one year	(10.8)	(8.6)	(19.7)	(2.2)	(0.1)	(41.4)
Finance leases	(20.6)	2.3	(2.7)	—	2.0	(19.0)
		(131.5)				
Current asset investments	112.2	(106.1)	—	—	0.2	6.3
<b>Total</b>	<b>100.6</b>	<b>(224.7)</b>	<b>(31.3)</b>	<b>—</b>	<b>3.3</b>	<b>(152.1)</b>

**30 Acquisitions of businesses**

The principal changes in group interests during the year were:

- On 26 August 1999, 100% of the shares of Mark VII Inc. were acquired. The consideration consisted of a cash payment of US\$ 207.3m (goodwill life is assessed at 20 years).
- On 11 September 1999, 100% of the shares of Cory Environmental (Central) Limited (formerly Parkhill Reclamation Limited) were acquired. The consideration consisted of a cash payment of £24.3m plus £9.1m in loan notes (goodwill life is assessed at 20 years).
- On 8 September 1999, 100% of the shares in Malenstein BV were acquired. The consideration consisted of a cash payment of NLG 19.8m (goodwill life is assessed at 20 years).
- On 14 October 1999, 100% of the shares in Langtexo Hunxe KG and Langtexo Strasbourg Sarl. were acquired. The consideration consisted of a cash payment of DEM 12.5m (goodwill life is assessed at 20 years).
- On 5 November 1999, the 50% of the shares not already held by the Group in Forth Tugs Limited were acquired. The consideration was a cash payment of £1.3m (goodwill life is assessed at 20 years).

Adjustments to the book value of net assets acquired in 1999 are shown below.

**Mark VII Inc.**

In its last financial year to 31 December 1998, Mark VII Inc. made a profit after tax of £5.8m. For the period since that date to the date of acquisition, Mark VII Inc. management accounts show:

	£m
Turnover	307.4
Operating profit	7.0
Profit before taxation	7.4
Taxation	(2.5)
Profit attributable to shareholders	4.9
Exchange adjustments	(0.1)
Total recognised gains for the period	4.8

	Book value £m	Accounting policy adjustments £m	Fair value to Group £m
Intangible assets: goodwill	1.8	(1.8)	-
Tangible assets	9.3	(5.4)	3.9
Debtors	73.3	(8.0)	65.3
Creditors	(40.9)	-	(40.9)
Short term loans and overdraft	(19.8)	1.7	(18.1)
Deferred tax	(1.1)	-	(1.1)
Net assets acquired	22.6	(13.5)	9.1
Consideration:			
Net cash paid			135.6
Goodwill			126.5

The principal adjustments for the alignment of accounting policies relate to revenue recognition £(7.4)m and the write-off of capitalised software £(3.4)m.

## 30 Acquisitions of businesses continued

**Cory Environmental (Central) Limited (formerly Parkhill Reclamation Limited)**

In its financial year ended 30 September 1998, Cory Environmental (Central) Limited made a profit after tax of £0.6m. For the period since that date to the date of acquisition Cory Environmental (Central) Limited management accounts show:

	£m
Turnover	3.6
Operating profit	0.5
Profit before taxation	0.3
Taxation	—
Profit attributable to shareholders	0.3
Total recognised gains for the period	0.3

	Book value £m	Accounting policy adjustments £m	Fair value to Group £m
Tangible assets	8.9	(4.6)	4.3
Stock	0.5	(0.4)	0.1
Debtors	2.2	—	2.2
Cash at bank and in hand	0.4	—	0.4
Creditors	(5.5)	—	(5.5)
Overdrafts	(5.7)	—	(5.7)
Provisions	(0.2)	—	(0.2)
Net assets acquired	0.6	(5.0)	(4.4)
Consideration:			
Net cash paid			24.3
Loan notes			9.1
Goodwill			37.8

The principal adjustment for the alignment of accounting policies is the write-off of site preparation costs. Tangible assets and provisions are provisional pending final determination of the values of the properties acquired and the crystallisation of liabilities relating to the period prior to acquisition.

**Other acquisitions**

The book value of the net assets acquired has been taken from the management accounts of the companies at the dates of acquisition at actual exchange rates on that date. The fair value adjustments contain some provisional amounts, mainly relating to the final determination of the values of properties acquired, which will be finalised in the 2000 financial statements when the detailed acquisition investigation has been completed.

Included in the table below are net assets of £0.9m and goodwill of £5.2m relating to Malenstein BV. In its last financial year ended 31 December 1998, Malenstein BV made a profit after tax of £0.5m. For the period since that date to the date of acquisition, Malenstein BV made a profit after tax of £0.3m.

The fair value adjustment for alignment of accounting policies reflects the restatement of assets and liabilities in accordance with the Group's policies.

The finalisation of the fair values and an adjustment to the deferred consideration, for 1998 acquisitions has resulted in a £9.9m adjustment to goodwill (note 10).

	1999 acquisitions £m	1998 acquisitions £m	Total £m
Book value of net assets acquired (includes £0.7m of cash)	2.1	—	2.1
Provisional fair value adjustments	0.6	(0.5)	0.1
Net assets acquired	2.7	(0.5)	2.2
Consideration			
Net cash paid	11.8	—	11.8
Deferred consideration	—	9.4	9.4
Goodwill	9.1	9.9	19.0

An adjustment to the deferred consideration for 1997 acquisitions has resulted in a £2.5m adjustment to goodwill through reserves (note 23).

**31 Subsidiary and associated undertakings**

The principal trading undertakings at 31 December 1999 all of which are held indirectly by Ocean Group plc, all of which are included in the consolidated financial statements, and which have a financial year end of 31 December, are shown below.

	Country of incorporation and principal area of operation	Percentage of equity shares held
<b>MSAS Global Logistics:</b>		
MSAS Global Logistics (UK) Limited	UK	100%
MSAS Global Logistics (Germany) GmbH	Germany	100%
MSAS Global Logistics (Far East) Limited	Hong Kong	100%
MSAS Global Logistics (Italy) SpA	Italy	100%
MSAS Global Logistics KK	Japan	100%
MSAS Global Logistics (Singapore) Pte Limited	Singapore	100%
MSAS Global Logistics Inc.	US	100%
Mark VII Inc.	US	100%
Skyking Freight Systems Inc.	US	100%
A.W. Fenton Company Inc.	US	100%
McGregor Cory Limited (trading as MSAS McGregor Cory Logistics)	UK	100%
MSAS Global Logistics Holdings BV	Netherlands	67%*
Mercury International Limited	UK	100%
Higgs International Limited	UK	100%
<b>Environmental:</b>		
Cory Environmental Limited	UK	100%
<b>Marine:</b>		
Cory Towage Limited	UK	100%

\*Together with options over the remaining 33%

**32 Post balance sheet events****Recommended merger with NFC**

On 20 February 2000 the Board of Directors approved a proposed merger with NFC plc ("NFC"). The merger is to be effected by way of a recommended offer by Ocean for the entire share capital of NFC on the basis of 0.2774 New Ocean Shares for each NFC Share. Subject to shareholders' approval, on completion of the merger Ocean shareholders and NFC shareholders will hold approximately 50% each of the issued share capital of the Company.

**Disposal of the marine services business**

On 14 January 2000 the Group entered into a conditional agreement for the sale of its marine services business, Cory Towage, to Wijsmuller Groep Holding BV, for a cash consideration of £81.8m subject to adjustment for actual working capital at completion. In addition, there is potential for deferred consideration proceeds of up to £5m. The sale is conditional upon an inspection of the vessel fleet by Wijsmuller and certain overseas regulatory approvals and if these are satisfied the sale will be completed by 31 March 2000. The net gain on disposal is not expected to be less than £18m, after having reinstated and written off £8.5m of goodwill. At 31 December 1999, Cory Towage had net assets of £50.4m.

**Proposed acquisition of Aerocar Spedition AB ("Aerocar")**

Agreement was reached for the acquisition of Aerocar, subject to regulatory approval, with completion expected by 31 March 2000.



## Group five year record

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		1995	1996	1997	1998	1999
Turnover	£m	1,131.3	1,141.5	1,164.2	1,326.7	1,771.2
Underlying operating profit (note a)	£m	58.8	66.3	61.6	66.9	85.1
Underlying profit before tax (note a)	£m	54.2	63.0	73.5	83.1	83.5
Profit before taxation	£m	32.9	63.0	302.2	81.4	72.6
Taxation	£m	(16.2)	(18.3)	(54.3)	(24.1)	(22.8)
Profit for the financial year	£m	16.1	44.0	246.7	56.5	49.1
Dividends	£m	22.3	23.8	26.2	26.6	28.2
Shareholders' funds	£m	224.0	242.3	418.7	356.7	379.8
Net (borrowings)/funds	£m	(18.9)	(15.7)	273.6	100.6	(152.1)
Basic earnings per share	pence	10.4	28.2	157.3	36.1	34.3
Underlying earnings per share	pence	24.4	28.2	32.5	37.2	41.0
Dividends per share	pence	14.33	15.20	16.60	17.95	19.55
Employees	'000	11.7	11.4	11.4	14.9	16.7

### Notes

a Excludes exceptional operating costs and goodwill.

Notice is hereby given that the 135th annual general meeting of Ocean Group plc will be held at The Brewery, Chiswell Street, London EC1Y 4SD, at 12.00 noon on Thursday, 27 April 2000 for the following purposes:

## As Ordinary Business:

- 1 To receive and consider the audited accounts for the year ended 31 December 1999 and the reports of the Directors and of the Auditors.
- 2 To re-elect Mr N M S Rich as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 3 To re-elect Mr A E Isaac as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 4 To re-elect Mr D E Riddle as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 5 To re-elect Mr J-C Guez as a Director of the Company, being a Director appointed since the last annual general meeting and retiring in accordance with the articles of association.
- 6 Subject to Mr J F Devaney having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Devaney as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 7 Subject to Mr B A Edwards having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Edwards as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 8 Subject to Mr D J Finch having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Finch as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 9 Subject to Mr R D Lake having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Lake as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 10 Subject to Mr M R Parish having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Parish as a Director of the Company, being a Director retiring in accordance with the articles of association.
- 11 Subject to Mr F Ternofsky having been appointed a Director of the Company prior to the annual general meeting, to re-elect Mr Ternofsky as a Director of the Company, being a Director retiring in accordance with the articles of association.

- 12 Subject to Sir William Wells having been appointed a Director of the Company prior to the annual general meeting, to re-elect Sir William Wells as a Director of the Company, being a director retiring in accordance with the articles of association.
- 13 To reappoint PricewaterhouseCoopers as auditors of the Company until the conclusion of the next General Meeting at which the accounts are laid before members and to authorise the Board of Directors to determine their remuneration for the ensuing year.

## As Special Business:

- 14 As an ordinary resolution (authority to allot relevant securities) to resolve: THAT the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £12,744,350 provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall be in addition to all existing authorities to allot relevant securities granted to the Directors of the Company.
- 15 As a special resolution (authority to allot equity securities for cash) to resolve: THAT subject to the passing of the previous resolution the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:
  - a. to the allotment of equity securities (whether by way of rights issue, open offer or otherwise) in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising in or under the laws of territories outside the UK or

the requirements of any regulatory body or any stock exchange or otherwise howsoever; and

- b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £2,029,449 and shall expire upon the renewal of this power or if earlier at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require its securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
- 16 As a special resolution (authority to permit the Company to make market purchases of its own shares) to resolve: THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of 27½p each in the capital of the Company ("shares") provided that:
  - a. the maximum aggregate number of shares hereby authorised to be purchased shall be 14,612,035; and
  - b. the minimum price which may be paid for each share is the nominal value of such share; and
  - c. the maximum price which may be paid for any share is equal to 105% of the average of the middle market quotations for a share derived from The Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase of the shares; and
  - d. unless renewed the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after such expiry and purchase shares pursuant to such contract;
  - e. and that all shares so purchased in pursuance of this authority shall be cancelled immediately upon completion of the purchase and the amount of the Company's issued share capital (but not authorised share capital) shall be reduced by the nominal value of the shares so purchased.
- 17 As a special resolution (amendments to articles of association) to resolve: THAT the articles of association of the Company be and are hereby amended by the deletion of existing articles 86, 87 and 146 and the substitution of new articles 86, 87 and 146 in the form produced to the meeting and initialled by the Chairman of the meeting for identification purposes only.

**18** As a special resolution (authority to change the name of the Company) to resolve:  
 THAT, subject to the offer by Merrill Lynch International on behalf of the Company for all of the issued and to be issued share capital of Exel plc (formerly NFC plc) being declared or becoming unconditional in all respects, the name of the Company be changed to Exel plc with effect from such date as Exel plc (formerly NFC plc) ceases to be called by that name.

By order of the Board  
**A E Lascelles**  
 Company Secretary  
 24 March 2000

Ocean House  
 The Ring  
 Bracknell  
 Berkshire RG12 1AN

## Notes

### i Proxy

Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of the member. A proxy need not be a member of the Company. A member who has completed a proxy is not prevented from attending in person.

### ii Documents available for inspection

The following documents will be available for inspection at the registered office of the Company, Ocean House, The Ring, Bracknell, Berkshire, RG12 1AN and at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during the usual hours of business on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to the meeting until the end of the meeting:

- 1 Copies of the contracts of service of certain Directors of the Company with it and its subsidiaries which have more than one year unexpired.
- 2 The existing articles of association of the Company and the form of the proposed new articles 86, 87 and 146.

## Explanatory notes

### Directors standing for re-election (resolutions 2 to 12)

The current Directors who are retiring are Mr N M S Rich, Chairman; Mr A E Isaac, a non-executive Director who chairs the Audit Committee; Mr D E Riddle, Chief Executive of Cory Environmental and Mr J-C Guez, non-executive Director.

Brief profiles of the above named Directors for re-election are included on page 26 of the report. Sir John Guinness who will also be retiring as a Director at the annual general meeting will not be standing for re-election.

Resolutions 6 to 12 are enabling resolutions. Subject to the offer by Merrill Lynch International on behalf of the Company for all of the issued and to be issued share capital of Exel plc (formerly NFC plc) being declared or becoming unconditional in all respects the Directors of Exel plc (formerly NFC plc) ("Exel") referred to in those resolutions will be appointed to the Board of the Company. If this occurs prior to the annual general meeting they will then retire and stand for re-election. Brief profiles are given below:

### John Devaney

Senior non-executive Director and Chairman-designate of Exel. Age 53. Appointed to the Board of Exel in September 1996. Non-executive director of HSBC Bank plc and formerly Executive Chairman of Eastern Group plc. He will become Chairman of the Company.

### Bruce Edwards

Executive Vice-President, Consumer. Age 44. Appointed to the Board of Exel in December 1999. Joined Exel Logistics Americas in 1986 and was appointed Chief Executive Officer, Exel Logistics Americas in 1995.

### David Finch

Group Finance Director and Chief Financial Officer, Exel. Age 43. Appointed to the Board of Exel in October 1995. Previously Director of Planning and acting Finance Director at Caradon plc. He will become Finance Director of the Company.

### Bob Lake

Chief Operating Officer, Exel. Age 56. Appointed to the Board of Exel in September 1995. Formerly with Roadway Services Inc. (subsequently Caliber Systems).

### Mike Parish

Executive Vice-President, Industrial. Age 40. Appointed to the Board of Exel in December 1999. Joined Exel in 1981 as a graduate trainee and has held various roles in the Exel Group, including Managing Director, Tradeteam (1995-1998) and joint Chief Executive, Exel Logistics Europe (1998-1999).

### Fritz Ternofsky

Non-executive Director of Exel. Age 56. Appointed to the Board of Exel in October 1998. Member of the Supervisory Board of Compass Germany and former main board Director of Compass Group PLC and non-executive Chairman of Premier Hotels PLC.

### Sir William Wells

Non-executive Director of Exel. Age 59. Appointed to the Board of Exel in February 1996. President of Chesterton International plc, a non-executive Director of Pearl Group Limited, AMP (UK) plc, Norwich & Peterborough Building Society and Regional Chairman of the NHS Executive, South East.

## Explanatory notes about the items of special business to be put to the meeting.

### Resolution 14:

#### authority to allot relevant securities

This resolution is to renew the general authority given to the Directors at the 1999 annual general meeting to allot shares. This is current general practice for listed companies and is in accordance with the provisions of the Companies Act 1985. The maximum amount of relevant securities that could be allotted pursuant to the authority is £12,744,350, representing 31.4% of the Company's total ordinary share capital in issue as at 3 March 2000, being the latest practicable date prior to the date

of the Notice of Meeting. This authority is in addition to the authority granted at the extraordinary general meeting on 20 March 2000.

The Board has no present intention of exercising this authority, which will expire at the end of the annual general meeting to be held in 2001.

**Resolution 15: authority to allot equity securities for cash**

The Companies Act 1995 requires that, subject to certain exceptions unless authorised by special resolution, before Directors of a Company can issue any new shares for cash, the new shares must first be offered to existing shareholders proportionately to their existing shareholdings. This provision can create administrative difficulty.

Although no such issues are currently contemplated, the resolution seeks, as at previous annual general meetings, to avoid any such difficulties which might otherwise arise.

It is also customary each year for public companies to take a limited authority to issue new shares for cash without first offering those shares to existing shareholders. The resolution therefore seeks, as in previous years, to give the Directors an authority to issue up to an aggregate nominal value of five per cent of the Company's issued share capital as at 3 March 2000 (the latest practicable date prior to the date of the Notice of Meeting).

The authority sought will terminate at the conclusion of the 2001 annual general meeting.

**Resolution 16: market purchases of own shares by the Company**

At the 1999 annual general meeting, the company was authorised to make market purchases of its own shares. This resolution is to renew that authority for a further period. The Board has no present intention of exercising this power but wishes to retain the flexibility to do so in the future.

The authority would expire at the conclusion of the 2001 annual general meeting.

The resolution specifies the maximum number of shares which may be purchased (representing 10 per cent of the Company's issued share capital as at 3 March 2000 (the latest practicable date prior to the date of the Notice of Meeting) and the maximum prices at which they may be bought, reflecting the requirements of the Companies Act 1985 and the Listing Rules of the London Stock Exchange.

Any shares purchased would be cancelled and consequently the number of shares in issue would be reduced. Accordingly, the Board would only exercise the power to make purchases of shares if it resulted in an increase in earnings per share and was in the best interests of

shareholders generally.

2,738,315 options to subscribe for shares are outstanding as at 3 March 2000 (the latest practicable date prior to the date of the Notice of Meeting), representing 1.87% of the Company's issued share capital at that time. If the authority to make market purchases of shares is approved by shareholders at the annual general meeting, those options would represent 2.08% of the total issued share capital.

**Resolution 17: amendments to articles of association**

The proposed amendment to articles 86 and 87 of the Company's articles of association is to comply with the provision concerning the retirement and re-election of Directors, contained in the corporate governance combined code appended to the Listing Rules of the London Stock Exchange. It will result in the requirements of the articles being brought into line with current Company practice for Directors to seek re-election at intervals of no more than three years.

The proposed amendment to article 146 expressly removes the Company's auditors from the scope of the authority contained in that article to indemnify and obtain insurance for officers of the Company. Some concerns have been expressed recently by bodies involved in reviewing corporate governance practices that any such indemnity or insurance could possibly affect the level of diligence applied to an audit by company auditors. Accordingly, the removal of the reference to auditors in article 146 would bring the Company into line with current governance practices.

**Resolution 18: change of name**

This resolution is an enabling resolution. Subject to the offer by Merrill Lynch International on behalf of the Company for all of the issued and to be issued share capital of Exel plc (formerly NFC plc) being declared or becoming unconditional in all respects the name of the Company will be changed to Exel plc.

## Shareholder analysis as at 28 February 2000

Shareholding range	Number of holdings	Percentage of total holdings	Number of shares	Percentage of share capital
1 – 100	319	4.91	16,998	0.01
101 – 500	1,696	26.11	513,919	0.35
501 – 1,000	1,493	22.99	1,085,058	0.74
1,001 – 5,000	2,035	31.33	4,185,268	2.87
5,001 – 10,000	236	3.63	1,670,439	1.14
10,001 – 50,000	370	5.70	8,934,828	6.12
50,001 – 100,000	124	1.91	8,829,896	6.04
100,001 – 500,000	168	2.59	36,197,960	24.77
500,001 and over	54	0.83	84,685,986	57.96
	6,495	100.00	146,120,352	100.00

**Capital gains tax**

The equivalent market value of an ordinary share in Ocean Group plc at 31 March 1982 for the purpose of calculating UK capital gains tax is 117.71p. This is after adjusting for the effect of the one for four rights issue in 1991 and the capital reorganisation in December 1998 (when shareholders received 9 New Ordinary Shares and 10 B Shares for every 10 Existing Ordinary Shares). The equivalent market value of a B share in Ocean Group plc at 31 March 1982 as a result of the capital reorganisation is 10.85p per share. For shareholders who did not take up their full entitlement under the rights issue in 1991, or those acquiring shares after 31 March 1982, different values will apply and professional advice might therefore be required.

For information, the prices of the new ordinary shares and the B shares on the first day of dealing, 14 December 1998, were 683.5p and 63.0p respectively.

**Share price information**

The latest share price information is available on Ceefax, Teletext and the Cityline service operated by the Financial Times; telephone 0906 003 3545 or 0906 843 3545.

**Dividend reinvestment plan**

A dividend reinvestment plan has been introduced, details of which were circulated separately to shareholders on 1 March 1999. This will enable shareholders, who wish to do so, to use the whole of their cash dividends to buy additional shares in the company in the market at competitive dealing rates. Full details of the plan can be obtained from the Registrars whose address is given on this page.

**Low cost share dealing service**

This service has been established with the Company's brokers, Cazenove & Co. It is designed to provide shareholders with a simple, low cost way of buying and selling Ocean shares.

Further information, including the necessary forms, can be obtained from Cazenove & Co, Corporate Dealing Department, 12 Tokenhouse Yard, London EC2R 7AN (Telephone: 020 7606 1768).

**Personal Equity Plans (PEPs)**

Following the discontinuance of PEPs, the Bank of Scotland will continue to administer, on behalf of shareholders, the Company's General and Single Company PEPs.

**CREST - Share Settlement System**

The Company's shares are settled under CREST, the settlement system for shares and other securities, developed by the Bank of England.

**Unsolicited mail**

The law obliges the Company to make its register of members available to other organisations and, as a consequence, some shareholders may receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, FREEPOST 22, London W1E 7EZ. MPS will then notify the bodies which support its service that you do not wish to receive unsolicited mail.

**Shareholder handbook**

If you would like to receive a copy of this handbook, which includes information on various issues associated with holding shares in Ocean Group plc, please apply to the Company Secretary at the Company's registered office.

## Financial calendar

Dividend 1999	Interim	Second Interim
Announcement	29 July 99	21 Feb 00
Ex-dividend	4 Oct 99	20 Mar 00
Record date	8 Oct 99	24 Mar 00
Last date to elect for DRIP	11 Oct 99	6 Apr 00
Payment date	1 Nov 99	2 May 00

**Annual Report**

Posted	24 Mar 00
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**Annual General Meeting**

The Annual General Meeting will be held on Thursday, 27 April 2000 at 12 noon in the Sugar Room of The Brewery, Chiswell Street, London EC1Y 4SD.

**Enquiries on shareholdings**

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Registrars.

**Registered Office**

Ocean House, The Ring,  
Bracknell, Berkshire RG12 1AN  
Telephone: 01344 302000

**Registrars**

Lloyds TSB Registrars  
The Causeway, Worthing,  
West Sussex BN99 6DA  
Telephone: 01903 833266

**Auditors**

PricewaterhouseCoopers  
1 Embankment Place,  
London WC2N 6NN

**Merchant Bankers**

Warburg Dillon Read  
Corporate Finance Division  
2 Finsbury Avenue,  
London EC2M 2PA

Merrill Lynch International  
Ropemaker Place,  
25 Ropemaker Street,  
London EC2Y 9LY

**Stockbrokers**

Cazenove & Co  
12 Tokenhouse Yard,  
London EC2R 7AN

ABN Amro Hoare Govett  
250 Bishopsgate,  
London EC2M 4AA

Ocean's main businesses are described in the Group profile of this report with outlines of both the services they provide and the geographical coverage of their operations. Listed below is the address with telephone and facsimile numbers for the head office of each of these businesses, from which further details of the services they offer can be obtained.



**MSAS Global Logistics Ltd**  
Ocean House, The Ring  
Bracknell, Berkshire RG12 1AW

Telephone 01344 452222  
Facsimile 01344 710037

**J M Allan**  
Chief Executive



**Cory Environmental Ltd**  
25 Wellington Street  
London WC2E 7DA

Telephone 020 7379 9090  
Facsimile 020 7379 8053

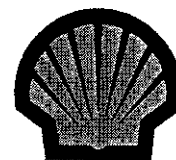
**D E Riddle**  
Chief Executive

Ocean's customers –  
many of the world's leading companies

**BOSCH**

AstraZeneca 

**CSL**  
Limited



 **The  
Gillette  
Company**

 **AVNET**  
electronics marketing

**Maxtor**

 **ONCOMMAND**

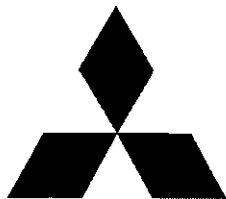
**BASF**

  
*Food for the fun of it*

  
**Johns Manville**

*Marconi*

**Panasonic**



**HITACHI**

**SONY**

**RICOH**  
Image Communication

  
WATERFORD CRYSTAL

**Pier 1 imports**

**ExxonMobil**

**MAXXIM**  
MEDICAL  
EUROPE



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