Registered number: 71375

DP WORLD

P&O Scottish Ferries Limited

Directors' report and financial statements

for the year ended 31 December 2010

P&O Scottish Ferries Limited

Company Information

Directors	T C Cairns (resigned 27 August 2010) F Dalgaard S M Qureshi (appointed 11 May 2010) J M Woollacott (resigned 11 May 2010) P A Walker (appointed 27 August 2010)
Company secretary	B Allinson
Company number	71375
Registered office	16 Palace Street London SW1E 5JQ
Auditors	KPMG LLP 15 Canada Square London E14 5GL

P&O Scottish Ferries Limited

Contents

Directors' report
for the year ended 31 December 2010

The Directors present their report and the financial statements for the year ended 31 December 2010

Principal activities

The company ceased its main business of 11 November 2002 Its only activity is interest earned and paid from fellow subsidiary undertakings and interest is agreed between parties from time to time The company also participates in three funded defined benefit pension schemes

The company is exempt, by virtue of its size, from the requirement to include an enhanced business review

Directors

The Directors who served during the year were

T C Cairns (resigned 27 August 2010)
F Dalgaard
S M Qureshi (appointed 11 May 2010)
J M Woollacott (resigned 11 May 2010)
P A Walker (appointed 27 August 2010)

Political and charitable contributions

During the year the company has made no charitable or political donations (*2009 £NIL*)

Principal risks and uncertainties

Funding and liquidity
The directors have considered the funding and liquidity position of the company and of its intermediate parent company The Peninsular and Oriental Steam Navigation Company Following this review, the directors consider it appropriate to continue to prepare the financial statements on the going concern basis

Qualifying third party indemnity provisions

All directors are entitled to contractual indemnification from the company to the extent permitted by law against claims and legal expenses incurred in the course of their duties

Such qualifying third party indemnity insurance is provided and remains in force as at the date of approving the directors' report

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

Directors' report
for the year ended 31 December 2010

Auditors

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board and signed on its behalf

P A Walker
Director

Date 7 September 2011

Statement of Directors' responsibilities
for the year ended 31 December 2010

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the members of P&O Scottish Ferries Limited

We have audited the financial statements of P&O Scottish Ferries Limited for the year ended 31 December 2010, set out on pages 5 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' responsibilities, set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report

Mike Harper

Mike Harper (Senior statutory auditor)

for and on behalf of
KPMG LLP
Chartered Accountants

15 Canada Square
London
E14 5GL

8 September 2011

Profit and loss account
for the year ended 31 December 2010

	Note	2010 £000	*2009* *£000*
Administrative expenses		(16)	*(13)*
Operating loss	2	(16)	*(13)*
Other finance income	3	(113)	*(225)*
Loss on ordinary activities before taxation		(129)	*(238)*
Tax on loss on ordinary activities	4	(3)	*(27)*
Loss for the financial year	9	(132)	*(265)*

All amounts relate to continuing operations

The notes on pages 8 to 17 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 £000	*2009 £000*
Loss for the financial year		**(132)**	*(265)*
Actuarial gain related to pension scheme	11	**(1,116)**	*(3,165)*
Total recognised gains and losses relating to the year		**(1,248)**	*(3,430)*

The notes on pages 8 to 17 form part of these financial statements

Balance sheet
as at 31 December 2010

	Note	£000	2010 £000	*£000*	*2009 £000*
Fixed assets					
Investments	5		**403**		*403*
Current assets					
Debtors	6	**3,000**		*4,723*	
Creditors: amounts falling due within one year	7	**(402)**		*(540)*	
Net current assets			**2,598**		*4,183*
Total assets less current liabilities			**3,001**		*4,586*
Defined benefit pension scheme liability	11		**(6,022)**		*(6,359)*
Net liabilities including pension scheme assets/(liabilities)			**(3,021)**		*(1,773)*
Capital and reserves					
Called up share capital	8		**8,148**		*8,148*
Profit and loss account	9		**(11,169)**		*(9,921)*
Shareholders' deficit	10		**(3,021)**		*(1,773)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

P A Walker
Director

Date 7 September 2011

The notes on pages 8 to 17 form part of these financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006 These financial statements therefore present information about the company as an individual undertaking and not about its group

1.2 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.3 Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is a wholly-owned subsidiary of The Peninsular and Oriental Steam Navigation Company Therefore the company has not disclosed transactions or balances with entities that form part of the group headed by The Peninsular and Oriental Steam Navigation Company There were no other related party transactions in the year

1.4 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.5 Going concern

The directors have considered the funding and liquidity position of the company and of its intermediate parent company The Peninsular and Oriental Steam Navigation Company Following this review, the directors consider it appropriate to continue to prepare the financial statements on the going concern basis

1.6 Taxation

UK Corporation tax is provided on taxable profits at the current rate The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing difference between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates except as otherwise required by Financial Reporting Standard 19 (Deferred Tax)

1. Accounting policies (continued)

1.7 Pensions

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2009

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted The calculation is performed by a qualified actuary using the projected unit credit method the discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight line basis over the average period until the benefits become vested To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement of curtailment occurs

Actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan are recognised in the period in which they arise directly in the statement of total recognised gains and losses

The operating and financing costs of defined benefit pension plans are recognised in the profit and loss account, current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the year and net financing costs are recognised in the finance income or expense in the periods within which they arise

Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi-employer defined benefit schemes where it is not possible to identify the Company's share iof the scheme, are charged to the profit and loss account as they fall due

2. Operating loss

During the year, no director received any emoluments *(2009 £NIL)* The directors do not believe that it is practicable to apportion emoluments between their services as directors of the company and their services as directors/employees of other group companies

Fees for audit and non-audit services provided by KPMG LLP to the company have been borne by other group companies The fees for the year were £4,000 *(2009 £4,000)* and £NIL *(2009 £NIL)* in respect of audit and non-audit services, respectively

3. Other finance income

	2010 £000	*2009 £000*
Expected return on pension scheme assets	1,435	*1,238*
Interest on pension scheme liabilities	(1,548)	*(1,463)*
	(113)	*(225)*

4 Taxation

	2010 £000	*2009 £000*
Analysis of tax charge in the year		
UK corporation tax charge on loss for the year	-	*27*
Adjustments in respect of prior periods	3	*-*
Tax on loss on ordinary activities	3	*27*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2009 - lower than)* the standard rate of corporation tax in the UK of 28% *(2009 - 28%)* The differences are explained below

	2010 £000	*2009 £000*
Loss on ordinary activities before tax	(129)	*(238)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% *(2009 - 28%)*	(36)	*(67)*
Effects of·		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	36	*67*
Adjustments to tax charge in respect of prior periods	3	*-*
Other differences leading to an increase (decrease) in the tax charge	-	*27*
Current tax charge for the year (see note above)	3	*27*

Factors that may affect future tax charges

In his budget on 23 March 2011, the Chancellor of the Exchequer announced a decrease in the rate of UK corporation tax from 28% to 26% from 1 April 2011, with further annual 1% cuts to reduce the rate to 23% by April 2014 This will impact the amount of the future tax charges recognised by the company The tax rate reduction to 26% has been enacted on 29 March 2011 and has no material effect on the financial statements for the year ended 31 December 2010 The further changes to reduce the tax rate to 23% have not been reflected in these financial statements as they have not yet been enacted and the impact has not yet been estimated

Unrecognised deferred tax

A Deferred tax asset of £476,000 (2009 £513,000) in respect of capital losses has not been recognised because it is not probable that future taxable profits will be available for offset in the future

5. Fixed asset investments

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 January 2010 and 31 December 2010	**400**	**3**	**403**
Net book value			
At 31 December 2010	**400**	**3**	**403**
At 31 December 2009	*400*	*3*	*403*

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
P&O Scottish Ferries Ship Management Limited	Ordinary shares	100%

6. Debtors

	2010 £000	2009 £000
Amounts owed by group companies	**3,000**	*4,723*

Amounts owed by group companies are unsecured, bear no interest and have no fixed repayment terms

7. Creditors.
Amounts falling due within one year

	2010 £000	2009 £000
Amounts owed to group companies	**401**	*400*
Corporation tax	-	*139*
Other creditors	**1**	*1*
	402	*540*

Amounts owed to group companies are unsecured, bear no interest and have no fixed repayment terms

7. **Creditors:**
Amounts falling due within one year (continued)

8. **Share capital**

	2010 £000	*2009 £000*
Allotted, called up and fully paid		
814,844 Ordinary Shares shares of £10 each	**8,148**	*8,148*

9. **Reserves**

	Profit and loss account £000
At 1 January 2010	(9,921)
Loss for the year	(132)
Pension reserve movement	(1,116)
At 31 December 2010	(11,169)

The closing balance on the Profit and loss account includes a £10,812 thousand *(2009 - £9,697 thousand)* credit, stated after deferred taxation of £NIL *(2009 - £NIL)*, in respect of pension scheme liabilities of the Company pension scheme

10. **Reconciliation of movement in shareholders' deficit**

	2010 £000	*2009 £000*
Opening shareholders' (deficit)/funds	**(1,773)**	*1,657*
Loss for the year	**(132)**	*(265)*
Other recognised gains and losses during the year	**(1,116)**	*(3,165)*
Closing shareholders' deficit	**(3,021)**	*(1,773)*

11. **Pension commitments**

The Company participates in three defined benefit pension schemes

The principal scheme, the Merchant Navy Officer's Pension Fund (the "MNOPF Scheme") is an industry wide scheme which is closed to routine new entrants,

The company also participates in The P&O Pension Scheme (the "P&O UK Scheme") and the Merchant Navy Ratings Pension Fund (the "MNRPF Scheme") industry wide scheme

11. Pension commitments (continued)

The amounts recognised in the Balance sheet are as follows

	2010 £000	*2009 £000*
Present value of funded obligations	**(31,459)**	*(28,476)*
Fair value of scheme assets	**25,437**	*22,117*
Net liability	**(6,022)**	*(6,359)*

The amounts recognised in profit or loss are as follows

	2010 £000	*2009 £000*
Interest on obligation	**(1,548)**	*(1,463)*
Expected return on scheme assets	**1,435**	*1,238*
Total	**(113)**	*(225)*

Changes in the present value of the defined benefit obligation are as follows

	2010 £000	*2009 £000*
Opening defined benefit obligation	**28,476**	*24,227*
Interest cost	**1,548**	*1,463*
Actuarial Losses	**2,926**	*4,080*
Benefits paid	**(1,491)**	*(1,294)*
Closing defined benefit obligation	**31,459**	*28,476*

Changes in the fair value of scheme assets are as follows

	2010 £000	*2009 £000*
Opening fair value of scheme assets	**22,117**	*20,372*
Expected return	**1,435**	*1,238*
Actuarial gains and (losses)	**1,810**	*916*
Contributions by employer	**1,566**	*885*
Benefits paid	**(1,491)**	*(1,294)*
	25,437	*22,117*

11. Pension commitments (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2010	2009
Equities	43.63 %	43 72 %
Bonds	49.92 %	50 09 %
Other	6.45 %	6 19 %

The expected long term rate of return for Equities, Bonds and Other items was 8 05%, 5 65% and 5 70% (*2009 8 30%, 5 00% and 6 35%*) respectively

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages)

	2010	2009
Discount rate at 31 December	5.40 %	5 60 %
Expected return on scheme assets at 31 December	6.70 %	6 53 %
Pension increases - deferment	2.90 %	3 70 %
Pension increases - payment	3.40 %	3 50 %
Inflation - bulk annuity asset	3.70 %	3 70 %

Amounts for the current and previous three periods are as follows

Defined benefit pension schemes

	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(31,459)	(28,476)	(24,227)	(25,662)
Scheme assets	25,437	22,117	20,372	24,311
Deficit	(6,022)	(6,359)	(3,855)	(1,351)
Experience adjustments on scheme liabilities	(1,351)	(4,080)	1,688	2,485
Experience adjustments on scheme assets	1,810	916	(5,199)	604

Merchant Navy Officers' Pension Fund ("MNOPF")

The MNOPF Scheme is a defined benefit multi-employer scheme in which officers employed by the company have participated

The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members and the latest valuation was carried out at 31 March 2009

The Old Section has been closed to benefit accrual since 1978 The scheme's independent actuary advised that at 31 March 2009 the market value of the scheme's assets for the Old Section was £1,113m, representing approximately 89 per cent of the value of the benefits accrued to members The Trustee has determined that the asset growth of the Fund, in excess of that assumed in calculating the technical provisions, between the formal date of the valuation and 18 November 2009 has been sufficient to eliminate the shortfall Therefore no contributions are required to meet the shortfall The assets of the Old Section were substantially invested in bonds

11. Pension commitments (continued)

As at 31 March 2009, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of £1,547m, representing approximately 68 per cent of the benefits accrued to members The valuation assumptions were as follows

Nominal % per annum	
Investment return on pre-retirement portfolio	7 25%
Investment return on post retirement portfolio	4 75%
Rate of national average earnings increase	4 50%
Rate of pension increases (where increases apply)	3 00%

At the date of the valuation, approximately 48 per cent of the New Section's assets were invested in a pooled investment vehicle, 35 per cent in equities, 9 per cent in bonds and 8 per cent in cash and other assets

Following the valuation the Trustee and Employers have agreed contributions in addition to those arising from the 31 March 2003 and 31 March 2006 valuations will be paid to the Section by participating employers over the period to 30 September 2022 These additional payments have a present value of £402m as at 30 September 2010 The Trustee will decide the payment terms for each participating employer in accordance with the Trustee's Contribution Collection Policy The Company's share is £6m

Following a court decision in 2005, the trustee advised the Company that its share of the net deficit of the New Section was 1 25 per cent and issued a schedule of regular deficit payments from Company companies totalling £375 6 thousand per annum commencing on 30 September 2005 and payable annually on 30 March thereafter until 30 March 2014

The Company has been accounting for the MNOPF New Section as a defined benefit scheme from 30 September 2005 Prior to that date, the Company accounted for the New Section as a defined contribution scheme as it was unable to determine its share of the scheme

The proportion of deficit attributable to the Company changed with effect from 20 February 2007 to 1 882% as not all employers had made their deficit payments

As a result of the 31 March 2006 valuation report for the scheme the trustee issued a further schedule of regular deficit payments from the Company of £445 6 thousand per annum commencing on 30 September 2007 and payable annually on 30 September thereafter until 30 September 2014

The Company's share of the net deficit of the New Section at 31 December 2010 is estimated at 1 882%

P&O UK Scheme

The P&O UK Scheme was closed to routine new members on 1 January 2002 The company made no contributions to the P&O UK Scheme, as The Peninsular and Oriental Steam Navigation Company, its immediate parent undertaking, agreed to take on the liability for any P&O UK Scheme deficit payments relating to P&O Scottish Ferries Limited from 30 March 2007, and the company is therefore accounting for the P&O UK Scheme under FRS 17 as if it were a defined contribution scheme, as the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis

11. Pension commitments (continued)

Merchant Navy Ratings' Pensıon Fund

The Merchant Navy Ratıngs' Pensıon Fund (the "MNRPF Scheme") ıs an ındustry wıde multı-employer defined benefit pensıon scheme ın whıch sea staff employed by the Company have partıcıpated The scheme has a sıgnıficant fundıng deficıt and has been closed to further benefit accrual

As at 31 March 2008, the date of the most recent full trıennıal actuarıal valuatıon carrıed out by an ındependent actuary, the scheme had assets wıth a market value of £625m, representıng 78 per cent of the benefits accrued to members allowıng for future ıncreases Approxımately 63 per cent of the scheme's assets were ınvested ın bonds, 27 per cent ın equıtıes and 10 per cent ın property and cash The valuatıon assumptıons were as follows

Nominal % per annum	
Investment return on pre-retırement portfolıo	6 20%
Investment return on post retırement portfolıo	5 20%
Rate of natıonal average earnıngs ıncrease	5 20%
Rate of pensıon ıncreases (where ıncreases apply)	3 60%

The company ıs accountıng for MNRPF under FRS 17 as ıf ıt were a defined contrıbutıon scheme as the company ıs unable to ıdentıfy ıts share of the scheme assets and lıabılıtıes on a consıstent and reasonable basıs The company made an annual deficıt contrıbutıon payment of £15,575 (2009 £13,454) whıch was ıncluded wıthın admınıstratıve costs

The company ıs no longer current employer ın the MNRPF and, had settled ıts statutory debt oblıgatıon, was not consıdered to have any legal oblıgatıon wıth respect to the on-goıng deficıt ın the fund Thıs posıtıon has, however, been challenged by Stena Lıne Lımıted ın the Hıgh Court Judgement was handed down ın thıs case on 27 July 2010, wıth the ȷudgement goıng agaınst the Company Leave to appeal was granted and a hearıng occurred ın March 2011 Judgement for the appeal was handed down on 12 May 2011 The appeal was reȷected Leave to appeal to the House of Lords was requested No decısıon has yet been made as to whether an appeal wıll be pursued

12. Ultimate parent undertaking and controlling party

The smallest group of companies for which consolidated financial statements are prepared and in which the company is consolidated is The Peninsular and Oriental Steam Navigation Company, a company incorporated by Royal Charter and therefore not registered, copies of whose accounts can be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ

The largest group of companies for which consolidated financial statements are prepared and which are publicly available, and in which the company is consolidated is DP World Limited, a company limited by shares incorporated in Dubai, whose accounts are filed with the Dubai International Financial Centre and where 19 55% of its shares are traded on NASDAQ Dubai

The immediate parent undertaking at 31 December 2010 was The Peninsular and Oriental Steam Navigation Company, a company incorporated in the United Kingdom

In the opinion of the directors the ultimate controlling parent undertaking as at 31 December 2010 was Port & Free Zone World FZE, which owns 80 45% of DP World Limited Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent company of the company, but which does not exert control over the company Both Port & Free Zone World FZE and Dubai World Corporation are incorporated in Dubai