

AVNER ENTERPRISES LIMITED

REGISTERED NUMBER: 484068

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2004



REPORT OF THE DIRECTORS

The directors present their annual report and accounts for the year ended 31 December 2004.

Principal activities and review of business

The Company did not trade during the year.

Dividend

The directors do not propose a dividend for the year ended 31 December 2004 (2003: £nil).

Directors and directors' interests:

The directors during the year were :

R M Gradon

P A Walker

D J Leonard Appointed 8 December 2004

S Scott Resigned 8 December 2004

According to notifications received by the Company relating to the interests of the directors and their families in the share capital and debentures of group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

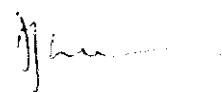
	Deferred Stock		Deferred Stock under option			Closing balance 31/12/04
	2004	2003	Opening balance 01/01/04	Granted in year	Exercised in year	
PA Walker	37,933	16,055	160,560	-	-	160,560

R M Gradon is a director of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company, of which this company is a wholly owned subsidiary. His interests in shares and debentures of group companies and of his awards under the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of The Peninsular and Oriental Steam Navigation Company.

Auditors

Under section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



79 Pall Mall
London SW1Y 5EJ
28 September 2005

D J Leonard
Secretary

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the independent auditors on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the independent auditors in relation to the accounts.

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

In preparing the accounts on pages 4 to 10, the directors are required to select appropriate accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and state whether all accounting standards which they consider to be applicable have been followed. The directors are also required to use a going concern basis in preparing the accounts unless this is inappropriate.

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 accounts comply with the Companies Act 1985.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AVNER ENTERPRISES LIMITED

We have audited the financial statements on pages 4 to 10.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB
28 September 2005

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Result on ordinary activities before taxation	2	-	-
Taxation	3	-	-
Result for the financial year	7	<u>-</u>	<u>-</u>

All the above transactions relate to continuing business activities. The Company has no recognised gains or losses other than those detailed above.

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £	2003 £
CURRENT ASSETS			
Unsecured loan stock	4	-	-
Creditors: amounts falling due within one year	5	(120,261)	(120,261)
NET CURRENT LIABILITIES AND NET LIABILITIES		<u>(120,261)</u>	<u>(120,261)</u>
CAPITAL AND RESERVES			
Called up share capital	6	47	47
Profit and loss account	7	(120,308)	(120,308)
Equity shareholders' deficit		<u>(120,261)</u>	<u>(120,261)</u>

The financial statements were approved by the Board on 28 September 2005 and were signed on its behalf by P A Walker


P A WALKER
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'
DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Total recognised gains and losses for the financial year	-	-
Shareholders' deficit at the beginning of the year	(120,261)	(120,261)
Shareholders' deficit at the end of the year	<u>(120,261)</u>	<u>(120,261)</u>

NOTES TO THE ACCOUNTS AT 31 DECEMBER 2004

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these accounts.

Basis of preparation of accounts

The accounts have been prepared on the historical cost basis and in accordance with the Companies Act 1985.

The accounts have been prepared in accordance with applicable United Kingdom accounting standards.

The accounts have been prepared on a going concern basis as the parent company has undertaken to provide the Company with sufficient funds as are necessary for it to meet its current liabilities. If the going concern basis of preparation were not adopted, no significant adjustments to the Company's liabilities would be required.

As the Company is a wholly owned subsidiary of the Peninsular and Oriental Steam Navigation Company, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of the Peninsular and Oriental Steam Navigation Company within which this company is included can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred tax

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).

NOTES TO THE ACCOUNTS AT 31 DECEMBER 2004 (cont'd)

2 PROFIT AND LOSS ACCOUNT

- i The Company had no employees during the year (2003 – none).
- ii Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company (2003 – £nil).
- iii The directors do not receive any remuneration for their services to the Company; their emoluments for work within the group are paid by other group companies and are dealt with in the accounts of those companies (2003 – £nil).

3 TAXATION

The taxation charge on ordinary activities is as follows:

	2004	2003
	£	£
U K current year corporation tax at 30%	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The current taxation charge is equal to (2003 – equal to) the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are explained below.

	2004	2003
	£	£
Result on ordinary activities before taxation	-	-
	<hr/>	<hr/>
Result on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	-	-
Effects of:		
UK income not taxable and other UK permanent adjustments	-	-
	<hr/>	<hr/>
Current taxation result for the period	-	-
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NOTES TO THE ACCOUNTS AT 31 DECEMBER 2004 (cont'd)

4 UNSECURED LOAN STOCK

The unsecured loan stock is repayable on demand and bears a rate of interest that is determined from time to time by the directors. During the year to 31 December 2004 the interest rate was nil (2003 nil).

5 CREDITORS

	2004	2003
	£	£
Amounts falling due within one year:		
Amounts owed to fellow subsidiary	120,261	120,261

The unsecured loan stock is repayable on demand and bears a rate of interest that is determined from time to time by the directors. During the year to 31 December 2004 the interest rate was nil (2003 nil).

The amount due to the fellow subsidiary is interest free and repayable on demand.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 2004 (Cont'd)

6 CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised:		
57 Ordinary shares of £1 each	57	57
7% Cumulative preference shares of £1 each	40	40
7% Cumulative participating preference shares of £1 each	3	3
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
4 Ordinary shares of £1 each	4	4
7% Cumulative preference shares of £1 each	40	40
7% Cumulative participating preference shares of £1 each	3	3
	<u>47</u>	<u>47</u>

7 RESERVES

	Profit and loss account £
At 1 January 2004	(120,308)
Result for the year	<u>-</u>
At 31 December 2004	<u>(120,308)</u>

8 ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is the Peninsular and Oriental Steam Navigation Company, incorporated by Royal Charter in Great Britain and therefore not registered. Its accounts are available to the public from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.