

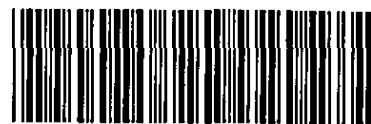
**P&O FINANCE PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**REGISTERED NUMBER 718022**

**31 DECEMBER 2008**

TUESDAY



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30/06/2009

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COMPANIES HOUSE

**Registered No. 718022**

**Directors**

M E Moore	(resigned 15 October 2008)
P A Walker	
P W Walters	(resigned 16 April 2008)
J M Woollacott	
F Dalgaard	(appointed 16 April 2008)

**Secretary**

B Allinson

**Auditors**

KPMG LLP  
8 Salisbury Square  
London EC4Y 8BB

**Registered Office**

16 Palace Street  
London SW1E 5JQ

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2008.

### Results and dividends

The profit for the year, after taxation, is £7,300,332 (2007: £2,022,030). No dividend was paid or proposed for the year ended 31 December 2008 (2007: £nil).

### Principal activity and review of business

During the year the Company has continued to earn interest, and expects this to occur for the foreseeable future. The results of the year have been impacted by falls in interest rates, reduced money market deposits and loan balances with group companies. There has been no other major business activity. The results for the period are set out in the profit and loss account on page 8 and in the notes to the accounts.

The company's key financial and other performance indicators during the year were as follows:

	2008	2007	Change
	£	£	%
Profit after tax	7,300,332	2,022,030	261%
Net interest and similar items	9,379,519	2,425,441	287%
Current year corporation tax charge	(2,020,175)	(403,411)	401%
Shareholders' deficit	(44,118,969)	(51,419,301)	14%

### Going Concern

The company has net liabilities of £44,118,969. A group undertaking, Peninsular and Oriental Steam Navigation Company, has given a written undertaking that it will continue to support the company and its present activities. The directors acknowledge that there can be no certainty that this support will continue, although they have no reason to believe that it will not do so. Based on this undertaking, the directors consider it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### Directors and their indemnity arrangements

The directors during the year were:

M E Moore (resigned 15 October 2008)

P A Walker

P W Walters (resigned 16 April 2008)

J M Woollacott

F Dalgaard (appointed 16 April 2008)

## **DIRECTORS' REPORT (continued)**

### **Directors and their indemnity arrangements**

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. Third party indemnity insurance is provided and remains in force as at the date of approving the directors' report.

### **Secretary**

B Allinson

### **Disclosure of information to the auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

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

On behalf of the board



P A Walker  
Director

26 June 2009

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P&O FINANCE PLC**

We have audited the financial statements of P&O Finance Plc for the year 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P&O FINANCE PLC

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor  
London  
26 June 2009

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
Administration costs		(59,012)	-
Interest swaps:			
Interest received	11,959,125	50,225,182	
Interest paid	(10,233,593)	(44,823,077)	
Exchange gains/(losses)	7,653,987	(2,976,664)	
Fuel price swaps:			
Fuel price swap gains	1,382,408	1,762,968	
Fuel price swap losses	(1,382,408)	(1,762,968)	
Net interest and similar items		<u>9,379,519</u>	<u>2,425,441</u>
Profit on ordinary activities before taxation	2	9,320,507	2,425,441
Tax on profit on ordinary activities	3	<u>(2,020,175)</u>	<u>(403,411)</u>
Profit for the financial year		<u><u>7,300,332</u></u>	<u><u>2,022,030</u></u>

All the above transactions relate to continuing business activities.

There were no other gains or losses during the year except for those presented above.



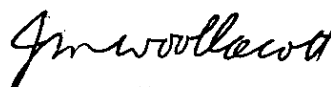
**BALANCE SHEET**  
**AT 31 DECEMBER 2008**

	Note	2008 £	2007 £
<b>Current assets</b>			
Cash and cash equivalents		-	1,165,457
Debtors	4	11,813,263	91,844,276
<b>Creditors: amounts falling due within one year</b>	5	(55,932,232)	(144,429,034)
<b>Net current liabilities and net liabilities</b>		<u>(44,118,969)</u>	<u>(51,419,301)</u>
<b>Capital and reserves</b>			
Called up share capital	6	4,000,000	4,000,000
Profit and loss account	7	(48,118,969)	(55,419,301)
<b>Equity shareholders' deficit</b>		<u>(44,118,969)</u>	<u>(51,419,301)</u>



P A Walker  
Directors

26 JUNE 2009



J M Woollacott

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## **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008**

### **1 ACCOUNTING POLICIES**

#### **Basic of preparation**

The accounts of P&O Finance Plc were approved for issue by the Board of Directors on 26 June 2009.

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985.

The financial statements are prepared in accordance with applicable accounting standards.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by The Peninsular and Steam Navigation Company, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Peninsular and Steam Navigation Company, within which this Company is included, can be obtained from the address given in note 9.

The company has net liabilities of £44,118,969. A group undertaking, The Peninsular and Oriental Steam Navigation Company, has given a written undertaking that it will continue to support the company and its present activities. The directors acknowledge that there can be no certainty that this support will continue, although they have no reason to believe that it will not do so. Based on this undertaking, the directors consider it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **Interest swaps**

Gross amounts payable and receivable in respect of interest rate swaps are recognised in the profit and loss account over the period of the contracts.

#### **Cross currency swaps**

Exchange gains and losses in respect of cross currency swaps are recognised in the profit and loss account as payment falls due.

#### **Fuel price swaps**

The Company enters into fuel price swaps on behalf of other group companies. Back to back arrangements with group companies are established for each third party contract. The gains and losses on each fuel price swap are recognised in the profit and loss account as payment falls due.

#### **Foreign currency forward contracts**

The Company enters into foreign currency forward contracts on behalf of other group companies. Gains or losses on forwards are recognised when the currency contracts mature.

#### **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.

# **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008**

## **1 ACCOUNTING POLICIES (continued)**

### **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 differences 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).

## **2 PROFIT AND LOSS ACCOUNT**

(a) The basis of charging intra-group interest is agreed between the parties in accordance with Group policy.

(b) The directors are also directors/employees of, and were paid by, other group undertakings. The directors do not believe that it is practicable to apportion these emoluments between their services as directors of the company and their services as directors/employees of the other group undertakings.

(c) Fees for audit and non-audit services provided by KPMG LLP to the company have been borne by other group undertakings. It is not practicable to ascertain what proportion of such fees relates to the company.

(d) The company had no employees during the year (2007: none).

(e) Included within interest paid are breakage costs relating to swap contracts.

## **3 TAXATION**

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	2007
	£	£
Current tax :		
UK corporation tax at 28.5% (2007: 30%)	2,093,731	483,745
Adjustments in respect of prior years	(73,556)	(80,334)
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Tax on profit on ordinary activities	2,020,175	403,411
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(b) Factors affecting the current tax charge

On 1 April 2008 the rate of corporation tax in the UK changed to 28%. The tax assessed on the profit on ordinary activities for the year is lower than (2007: lower than) the hybrid rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2008**

**3 TAXATION (continued)**

	2008 £	2007 £
Profit on ordinary activities before tax	9,320,507	2,425,441
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	2,656,344	727,632
Effects of:		
Imputed interest and other UK permanent differences	(562,613)	(243,887)
Adjustments in respect of prior years	(73,556)	(80,334)
Total current tax (note 3(a))	2,020,175	403,411

**4 DEBTORS**

	2008 £	2007 £
Amounts owed by group undertaking	7,258,695	81,167,763
Group relief receivable	2,718,435	4,738,610
Other debtors and prepayments	1,836,133	5,937,903
	11,813,263	91,844,276

The applicable interest on amounts owed by group undertaking is calculated using the three-month LIBOR (2007: three-month LIBOR).

**5 CREDITORS**

	2008 £	2007 £
Amounts falling due within one year:		
Amounts owed to group undertaking	1,825,140	79,894,782
Amounts owed to fellow subsidiaries	52,090,673	57,328,434
Other creditors and accruals	2,016,419	6,836,505
Accrued swap breakage costs	-	369,313
	55,932,232	144,429,034

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2008**

**6 AUTHORISED AND ISSUED CAPITAL**

**Authorised**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
40,000,000 Ordinary shares of 25p each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

**Allotted, called up and fully paid**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
16,000,000 Ordinary shares of 25p each	4,000,000	4,000,000
	<u>4,000,000</u>	<u>4,000,000</u>

**7 RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENT ON RESERVES**

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' deficit</i>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2008	4,000,000	(55,419,301)	(51,419,301)
Profit for the year	-	7,300,332	7,300,332
At 31 December 2008	<u>4,000,000</u>	<u>(48,118,969)</u>	<u>(44,118,969)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2008**

**8 FUTURE COMMITMENTS**

The company has entered into interest rate swap transactions in respect of group US dollar, Australian dollar, Hong Kong dollar and Sterling loans. At the year end, the Company had entered into interest rate swaps with a maximum maturity of November 2014 in respect of the following principal amounts:

	2008 Fixed £m	2008 Variable £m	2007 Fixed £m	2007 Variable £m
Third party Sterling	80.0	-	138.0	58.0
	US\$m	US\$m	US\$m	US\$m
Third party US dollar	50.0	-	165.0	130.0
	A\$m	A\$m	A\$m	A\$m
Third party Australian dollar	50.0	-	50.0	-

In addition the Company has exposure to currency forward contracts to manage currency exposures within the P&O Group.

**9 PARENT UNDERTAKING**

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 Exchange and where 19.55% of its shares are traded.

The immediate parent undertaking at 31 December 2008 is Gritsen One Limited, a company incorporated in the United Kingdom.

In the opinion of the directors the ultimate controlling parent undertaking as at 31 December 2008 was Port & Free Zone World FZE, which owns 81.45% 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.