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P&O Finance Plc

Directors' report and financial statements

for the year ended 31 December 2011

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P&O Finance Plc

Company Information

Directors	F Dalgaard S M Qureshi P A Walker
Company secretary	B Allinson
Company number	718022
Registered office	16 Palace Street London SW1E 5JQ
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

P&O Finance Plc

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P&O Finance Plc

Directors' report for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities

The company's principal activity is to act as the finance vehicle and central treasury department for any financial instruments that exist in the future within the group undertaking The Peninsular and Oriental Steam Navigation Company

Business review

The results of the year have been impacted by falls in interest rates, reduced money market deposits and loan balances with group companies. During the year, the company changed its hedging strategy by a close-out of its swaps. The results for the year are set out in the profit and loss account which forms part of the financial statements

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

	2011	2010
	£	£
Loss after tax	(2,505,171)	(2,501,119)
Net Interest expense	(3,435,727)	(4,050,595)
Exchange gains	10,457	684,778
Corporation tax credit	922,657	915,698
Shareholders' deficit	(52,836,725)	(50,331,554)

Results

The loss for the year, after taxation, amounted to £2,505,171 (2010 loss £2,501,119)

Directors

The directors who served during the year and to the date of this report were

F Dalgaard
S M Qureshi
P A Walker

Political and charitable contributions

During the year the company has made charitable donations of £2,558 (2010 £51,000). No political donations (2010 £NIL) were made during the year.

Principal risks and uncertainties

Going concern

The company has net liabilities of £52,836,725 (2010 £50,331,554). 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.

P&O Finance Plc

**Directors' report
for the year ended 31 December 2011**

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

Provision of information to auditor

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 auditor is 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 auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 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

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



P A Walker
Director

Date 14 June 2012

P&O Finance Plc

Directors' responsibilities statement for the year ended 31 December 2011

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.

P&O Finance Plc

Independent auditor's report to the members of P&O Finance Plc

We have audited the financial statements of P&O Finance Plc for the year ended 31 December 2011, set out on pages 5 to 11. 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 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 auditor

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 Auditing Practices Board'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 2011 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.

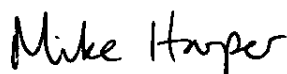
Opinion on other matter prescribed by the Companies Act 2006

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.



Mike Harper (Senior statutory auditor)

for and on behalf of

KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

14 June 2012

P&O Finance Plc

**Profit and loss account
for the year ended 31 December 2011**

	Note	2011 £	2010 £
Administrative expenses		(2,558)	(51,000)
Exchange gains		10,457	684,778
Operating profit	2	7,899	633,778
Interest payable and similar charges	3	(3,435,727)	(4,050,595)
Loss on ordinary activities before taxation		(3,427,828)	(3,416,817)
Tax on loss on ordinary activities	4	922,657	915,698
Loss for the financial year	8	(2,505,171)	(2,501,119)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 7 to 11 form part of these financial statements

P&O Finance Plc
Registered number: 718022

Balance sheet
as at 31 December 2011

	Note	£	2011 £	£	2010 £
Current assets					
Debtors	5	908,374		2,556,623	
Creditors amounts falling due within one year	6	<u>(53,745,099)</u>		<u>(52,888,177)</u>	
Net current liabilities			(52,836,725)		(50,331,554)
Net liabilities			(52,836,725)		(50,331,554)
Capital and reserves					
Called up share capital	7		4,000,000		4,000,000
Profit and loss account	8		<u>(56,836,725)</u>		<u>(54,331,554)</u>
Shareholders' deficit	9		(52,836,725)		(50,331,554)

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



P A Walker
Director



S M Qureshi
Director

Date 14 June 2012

The notes on pages 7 to 11 form part of these financial statements

P&O Finance Plc

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

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 has net liabilities of £52,836,725 (2010 £50,331,554) 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

1.2 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

1.3 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.4 Derivative financial instruments

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

1.5 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

P&O Finance Plc

**Notes to the financial statements
for the year ended 31 December 2011**

1. Accounting policies (continued)

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 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. Operating profit

The operating profit is stated after crediting

	2011	2010
	£	£
Difference on foreign exchange	(10,457)	(684,778)

During the year, no director received any emoluments (2010 - £NIL)

The directors do not believe that it is practical 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 (2010 £4,000) and £NIL (2010 £NIL) in respect of audit and non-audit services, respectively.

3. Interest payable

	2011	2010
	£	£
Net interest payable	3,435,727	4,050,595

The net interest payable is in relation to the interest rate swaps as set out in note 10.

4. Taxation

	2011	2010
	£	£
Analysis of tax credit in the year		
UK corporation tax credit on loss for the year	(908,374)	(936,047)
Adjustments in respect of prior periods	(14,283)	20,349
Tax on loss on ordinary activities	(922,657)	(915,698)

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**Notes to the financial statements
for the year ended 31 December 2011**

4. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - *higher than*) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before tax	<u>(3,427,828)</u>	<u>(3,416,817)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	(908,374)	(956,709)
Effects of:		
Adjustments to tax charge in respect of prior periods	(14,283)	20,349
Other differences leading to an (increase) / decrease in the tax credit	-	14,281
Transfer pricing adjustment	-	6,381
Current tax credit for the year (see note above)	<u>(922,657)</u>	<u>(915,698)</u>

Factors that may affect future tax charges

In his budget on 21 March 2012, the Chancellor of the Exchequer announced a decrease in the rate of UK corporation tax from 26% to 24% from 1 April 2012, and then by a further 1% per annum to 22% by 2014. This is an acceleration of the reductions enacted in the Finance Act 2011 which reduced the main rate of corporation tax to 25% from April 2012. The rate change will impact the amount of the future tax charges recognised by the company. However, it is not considered to have any material effect on the current year results. The company will only recognise the impact of these rate changes in its financial statements once they are substantively enacted.

Unrecognised deferred tax

A deferred tax asset of £407,750 (2010 £440,370) has not been recognised in respect of capital losses. This asset is unrecognised as there is uncertainty as to whether there will be suitable profits and gains available for offset in the future.

5. Debtors

	2011 £	2010 £
Group relief receivable	908,374	936,047
Amounts owed by group companies	-	1,400,182
Prepayments and accrued income	-	220,394
	<u>908,374</u>	<u>2,556,623</u>

Amounts owed by group companies are interest free, unsecured and have no fixed date of repayment.

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**Notes to the financial statements
for the year ended 31 December 2011**

6. Creditors
Amounts falling due within one year

	2011 £	2010 £
Amounts owed to group companies	53,745,099	52,090,673
Other creditors and accruals	-	797,504
	<u>53,745,099</u>	<u>52,888,177</u>

Amounts owed to group companies are interest free, unsecured and have no fixed date of repayment

7. Share capital

	2011 £	2010 £
Authorised		
40,000,000 Ordinary shares of £0.25 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
16,000,000 (2010 - 16,000,000) Ordinary shares of £0.25 each	<u>4,000,000</u>	<u>4,000,000</u>

8. Reserves

	Profit and loss account £
At 1 January 2011	(54,331,554)
Loss for the year	(2,505,171)
At 31 December 2011	<u>(56,836,725)</u>

9. Reconciliation of movement in shareholders' deficit

	2011 £	2010 £
Opening shareholders' deficit	(50,331,554)	(47,830,435)
Loss for the year	(2,505,171)	(2,501,119)
Closing shareholders' deficit	<u>(52,836,725)</u>	<u>(50,331,554)</u>

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**Notes to the financial statements
for the year ended 31 December 2011**

10 Future commitments

The company had previously entered into interest rate swap contracts in respect of Sterling and US Dollar loans, which were due to mature by January 2012. Following repayment of the loans and different financing strategies implemented by the group, the swap contracts were closed out in 2011. The close out payment amounts have been included within net interest payable (note 3). Details of the notional amounts of the respective swap contracts for the year end periods are shown below.

	2011 £'m	2010 £'m
Third party Sterling	-	50

	2011 US\$m	2010 US\$m
Third party US dollar	-	40

11. 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. On 1 June 2011, DP World Limited committed to an admission to the official list of the UK Listing Authority and to trade on the London Stock Exchange's main market for listed securities. DP World Limited has 19.55% of its shares jointly trading on NASDAQ Dubai and London Stock Exchange.

The immediate parent undertaking at 31 December 2011 is 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 2011 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.