

**P&O FINANCE PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**REGISTERED NUMBER 718022**

**31 DECEMBER 2009**



**Registered No. 718022**

**Directors**

F Dalgaard

S M Qureshi (appointed 11 May 2010)

P A Walker

J M Woollacott (resigned 11 May 2010)

**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 2009

### Results and dividends

The loss for the year, after taxation, is £3,711,465 (2008 £7,300,332 profit) No dividend was paid or proposed for the year ended 31 December 2009 (2008 £nil)

### Principal activity and review of business

The Company's principal activity is to act as the finance vehicle and central treasury department for the group undertaking Peninsular and Oriental Steam Navigation Company

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 7 and in the notes to the accounts.

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

	2009 £	2008 £	Change %
Profit after tax	(3,711,465)	7,300,332	-151%
Net interest and similar items	(5,089,047)	9,379,519	-154%
Current year corporation tax charge	1,443,258	(2,020,175)	-171%
Shareholders' deficit	(47,830,434)	(44,118,969)	-8%

### Going Concern

The Company has net liabilities of £47,830,434. 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.

### Charitable and political donations

During the year the Company has made charitable donations of £65,676 (2008 £59,012)

### Directors and their indemnity arrangements

The directors during the year were

F Dalgaard	
S M Qureshi	(appointed 11 May 2010)
P A Walker	
J M Woollacott	(resigned 11 May 2010)

## **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

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

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

The Directors 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**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the board



P A Walker  
Director

1 June 2010

Company No 718022

## **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)

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, 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 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 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 ended 31 December 2009 set out on pages 7 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

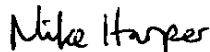
### **Opinion on other matter prescribed by the Companies Act 2006**

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 statement.

### **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, Statutory Auditor

KPMG LLP  
Chartered Accountants  
Registered Auditor  
London  
1 June 2010

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

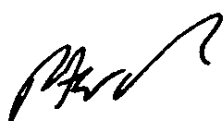
	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
Administration costs		(65,676)	(59,012)
Interest swaps			
Interest received	2,426,674	11,959,125	
Interest paid	(6,246,322)	(10,233,593)	
Exchange (losses)/gains	(1,269,399)	7,653,987	
Fuel price swaps			
Fuel price swap gains	-	1,382,408	
Fuel price swap losses	-	(1,382,408)	
Net interest and similar items		<u>(5,089,047)</u>	<u>9,379,519</u>
(Loss)/Profit on ordinary activities before taxation	2	(5,154,723)	9,320,507
Tax on profit on ordinary activities	3	<u>1,443,258</u>	<u>(2,020,175)</u>
(Loss)/Profit for the financial year		<u><u>(3,711,465)</u></u>	<u><u>7,300,332</u></u>

All the above transactions relate to continuing business activities

There were no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

**BALANCE SHEET OF P&O FINANCE PLC (Registered No: 718022)**  
**AT 31 DECEMBER 2009**

	Note	2009 £	2008 £
<b>Current assets</b>			
Debtors	4	6,123,108	11,813,263
<b>Creditors: amounts falling due within one year</b>	5	(53,953,542)	(55,932,232)
<b>Net current liabilities and net liabilities</b>		<u>(47,830,434)</u>	<u>(44,118,969)</u>
<b>Capital and reserves</b>			
Called up share capital	6	4,000,000	4,000,000
Profit and loss account	7	(51,830,434)	(48,118,969)
<b>Equity shareholders' deficit</b>		<u>(47,830,434)</u>	<u>(44,118,969)</u>



P A Walker  
Directors

01 June 2010



S M Qureshi



## **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009**

### **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

#### **Basic of preparation**

The accounts of P&O Finance Plc were approved for issue by the Board of Directors on 24 May 2010

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and are under the historical cost convention

The company has net liabilities of £47,830,434. 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.

#### **Cash flow statement**

Under Financial Reporting Standard 1 (revised 1996) 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

#### **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.

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009**

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

#### **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.

#### **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 (2008: none).
- (e) Included within interest paid are breakage costs relating to swap contracts.

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2009**

**3 TAXATION**

**(a) Tax on profit on ordinary activities**

The tax charge is made up as follows

	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
Current tax		
UK corporation tax at 28% (2008 28.5%)	(1,443,322)	2,093,731
Adjustments in respect of prior years	64	(73,556)
	<u>(1,443,258)</u>	<u>2,020,175</u>
Tax on profit on ordinary activities	<u>(1,443,258)</u>	<u>2,020,175</u>

**(b) Factors affecting the current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are reconciled below

	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
(Loss)/Profit on ordinary activities before tax	(5,154,723)	9,320,507
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(1,443,322)	2,656,344
Effects of		
Imputed interest and other UK permanent differences	-	(562,613)
Adjustments in respect of prior years	64	(73,556)
	<u>(1,443,258)</u>	<u>2,020,175</u>
Total current tax (note 3(a))	<u>(1,443,258)</u>	<u>2,020,175</u>

**4 DEBTORS**

	<b>2009</b>	2008
	<b>£</b>	<b>£</b>
Amounts owed by group undertaking	5,832,045	7,258,695
Group relief receivable	-	2,718,435
Other debtors and prepayments	291,063	1,836,133
	<u>6,123,108</u>	<u>11,813,263</u>

The applicable interest on amounts owed by group undertaking is calculated using the three-month LIBOR (2008 three-month LIBOR)

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2009**

**5 CREDITORS**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year		
Amounts owed to group undertaking	-	1,825,140
Amounts owed to fellow subsidiaries	52,090,673	52,090,673
Group relief payable	650,473	-
Other creditors and accruals	1,212,396	2,016,419
	<u>53,953,542</u>	<u>55,932,232</u>

**6 ISSUED CAPITAL**

**Authorised**

	<b>2009</b>	<b>2008</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>2009</b>	<b>2008</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 2009	4,000,000	(48,118,969)	(44,118,969)
Profit for the year	-	(3,711,465)	(3,711,465)
At 31 December 2009	<u>4,000,000</u>	<u>(51,830,434)</u>	<u>(47,830,434)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2009**

**8 FUTURE COMMITMENTS**

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

	2009 £m	2008 £m
Third party Sterling	80.0	80.0
	US\$m	US\$m
Third party US dollar	40.0	50.0
	A\$m	A\$m
Third party Australian dollar	-	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 2009 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 2009 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