



**DP WORLD**

**P&O Finance Plc**

**Directors' report and financial statements**

**for the year ended 31 December 2010**



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**P&O Finance Plc**

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**Company Information**

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

**Company secretary** B Allinson

**Company number** 718022

**Registered office** 16 Palace Street  
London  
SW1E 5JQ

**Auditors** KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

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**P&O Finance Plc**

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## P&O Finance Plc

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### Directors' report for the year ended 31 December 2010

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

#### Principal activities

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

#### 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. There has been no other major business activity. 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

	2010 £	2009 £
Loss after tax	(2,501,119)	(3,711,465)
Net interest expense	(4,050,595)	(3,819,648)
Exchange gains (losses)	684,778	(1,269,399)
Current year corporation tax charge	915,698	1,443,258
Shareholders' deficit	(50,331,554)	(47,830,435)

#### Results

The loss for the year, after taxation, amounted to £2,501,119 (2009 - loss £3,711,465)

#### Directors

The directors who served during the year were

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

#### Political and charitable contributions

During the year the Company has made charitable donations of £51,000 (2009 £65,676). No political donations (2009 NIL) were made during the year.

#### Principal risks and uncertainties

##### Going concern

The Company has net liabilities of £50,331,554. 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.

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**P&O Finance Plc**

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**Directors' report  
for the year ended 31 December 2010**

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**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 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

**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

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



**P A Walker**  
Director

Date 13 June 2011

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**P&O Finance Plc**

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**Statement of directors' responsibilities  
for the year ended 31 December 2010**

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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.

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## P&O Finance Plc

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### Independent auditors' report to the members of P&O Finance Plc

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We have audited the financial statements of P&O Finance Plc for the year ended 31 December 2010, set out on pages 5 to 12. 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](http://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.

*Mike Harper*

Mike Harper (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

**KPMG LLP**

**Chartered Accountants**

15 Canada Square  
Canary Wharf  
London  
E14 5GL

13 June 2011

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**P&O Finance Plc**

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**Profit and loss account  
for the year ended 31 December 2010**

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	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
Administrative expenses		<b>(51,000)</b>	<b>(65,676)</b>
Exchange gains (losses)		<b>684,778</b>	<b>(1,269,399)</b>
<b>Operating profit/(loss)</b>	<b>2</b>	<b>633,778</b>	<b>(1,335,075)</b>
Interest payable and similar charges	<b>3</b>	<b>(4,050,595)</b>	<b>(3,819,648)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(3,416,817)</b>	<b>(5,154,723)</b>
Tax on loss on ordinary activities	<b>4</b>	<b>915,698</b>	<b>1,443,258</b>
<b>Loss for the financial year</b>	<b>8</b>	<b>(2,501,119)</b>	<b>(3,711,465)</b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

The notes on pages 7 to 12 form part of these financial statements



**P&O Finance Plc**  
Registered number 718022

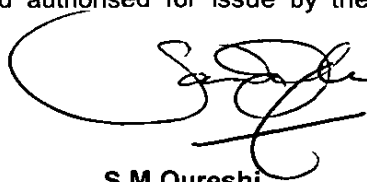
**Balance sheet**  
**as at 31 December 2010**

	Note	£	2010 £	£	2009 £
<b>Current assets</b>					
Debtors	5	2,556,623		6,123,107	
<b>Creditors</b> amounts falling due within one year	6	<u>(52,888,177)</u>		<u>(53,953,542)</u>	
<b>Net current liabilities</b>			<u>(50,331,554)</u>		<u>(47,830,435)</u>
<b>Total assets less current liabilities</b>			<u>(50,331,554)</u>		<u>(47,830,435)</u>
<b>Capital and reserves</b>					
Called up share capital	7	4,000,000		4,000,000	
Profit and loss account	8	<u>(54,331,554)</u>		<u>(51,830,435)</u>	
<b>Shareholders' deficit</b>	9	<u>(50,331,554)</u>		<u>(47,830,435)</u>	

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 13 June 2011

The notes on pages 7 to 12 form part of these financial statements

**Notes to the financial statements  
for the year ended 31 December 2010**

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**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 £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.

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**P&O Finance Plc**

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**Notes to the financial statements  
for the year ended 31 December 2010**

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**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/(loss)**

The operating profit/(loss) is stated after charging/(crediting)

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Difference on foreign exchange	<b>(684,778)</b>	<b>1,269,399</b>

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. Interest payable**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Net interest payable	<b>4,050,595</b>	<b>3,819,648</b>

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

**4. Taxation**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Analysis of tax credit in the year</b>		
UK corporation tax credit on loss for the year	<b>(936,047)</b>	<b>(1,443,322)</b>
Adjustments in respect of prior periods	<b>20,349</b>	<b>64</b>
<b>Tax on loss on ordinary activities</b>	<b>(915,698)</b>	<b>(1,443,258)</b>

**P&O Finance Plc**

**Notes to the financial statements  
for the year ended 31 December 2010**

**4 Taxation (continued)**

**Factors affecting tax charge for the year**

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

	2010 £	2009 £
Loss on ordinary activities before tax	<u>(3,416,817)</u>	<u>(5,154,723)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	<u>(956,709)</u>	<u>(1,443,322)</u>
<b>Effects of:</b>		
Adjustments to tax charge in respect of prior periods	20,349	64
Other differences leading to an increase (decrease) in the tax charge	14,281	-
Transfer pricing adjustment	6,381	-
<b>Current tax credit for the year</b> (see note above)	<u><u>(915,698)</u></u>	<u><u>(1,443,258)</u></u>

**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**

Deferred tax assets have not been recognised in respect of the following items

	2010 £	2009 £
Capital losses	<u>1,631,000</u>	<u>1,631,000</u>

A deferred tax asset has not been recognised in respect of capital losses because it is not probable that future taxable profits will be available for offset in the future.

**P&O Finance Plc**

**Notes to the financial statements  
for the year ended 31 December 2010**

**5. Debtors**

	2010 £	2009 £
Amounts owed by group companies	1,400,182	5,832,044
Group relief receivable	936,047	-
Prepayments and accrued income	220,394	291,063
	<u>2,556,623</u>	<u>6,123,107</u>

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

**6. Creditors:  
Amounts falling due within one year**

	2010 £	2009 £
Amounts owed to group companies	52,090,673	52,090,673
Group relief payable	-	650,473
Other creditors and accruals	797,504	1,212,396
	<u>52,888,177</u>	<u>53,953,542</u>

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

**7 Share capital**

	2010 £	2009 £
<b>Authorised</b>		
40,000,000 Ordinary shares of £0 25 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Allotted, called up and fully paid</b>		
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 2010	(51,830,435)
Loss for the year	(2,501,119)
At 31 December 2010	<u>(54,331,554)</u>

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**P&O Finance Plc**

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**Notes to the financial statements  
for the year ended 31 December 2010**

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

	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
Opening shareholders' deficit	<b>(47,830,435)</b>	<b>(44,118,970)</b>
Loss for the year	<b>(2,501,119)</b>	<b>(3,711,465)</b>
Closing shareholders' deficit	<b>(50,331,554)</b>	<b>(47,830,435)</b>

**10 Future commitments**

The company has entered into interest rate swap transactions in respect of group US dollar and Sterling loans. At the year end, the Company had entered into interest fixed rate swaps with a maximum maturity of January 2012 in respect of the following principal amounts

	<b>2010</b> <b>£'m</b>	<b>2009</b> <b>£'m</b>
Third party Sterling	<b>50</b>	<b>80</b>

	<b>2010</b> <b>US\$m</b>	<b>2009</b> <b>US\$m</b>
Third party US dollar	<b>40</b>	<b>40</b>

Subsequent to the year end the company has closed out all the above swap contracts

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

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**P&O Finance Plc**

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**Notes to the financial statements  
for the year ended 31 December 2010**

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**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 and where 19.55% of its shares are traded on NASDAQ Dubai

The immediate parent undertaking at 31 December 2010 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 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.