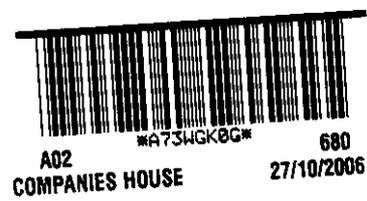


Registered number
971533

P&O Ship Management (Irish Sea) Limited

Directors' report and financial statements

31 December 2005



P&O Ship Management (Irish Sea) Limited
Report and financial statements
Contents

	Page
Directors' report	1 - 2
Statement of directors' responsibilities	3
Independent auditors' report to the members of P&O Ship Management (Irish Sea) Limited	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

P&O Ship Management (Irish Sea) Limited Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Principal activities

The company did not trade in the year. The loss for the year was £86,000 solely resulting from debtors no longer recoverable being written off. (£2004: £Nil).

Directors

The directors who held office during the year

R D Peters

(Resigned 30 April 2006)

H Deeble

S E Ratcliffe

(Appointed 30 April 2006)

Director's share interests

According to the register of directors' interests, none of the directors who held office at the end of the financial year had any interest in the shares of the company or its immediate parent company.

The directors had the following interests in the £1 ordinary deferred stock of the company's ultimate parent company, The Peninsular and Oriental Steam Navigation Company. R D Peters' interests in shares and stock options of the ultimate parent company are disclosed in their financial statements and are therefore not disclosed here:

	At 31 December 2005	At 1 January 2005
H Deeble	9,412	-

P&O Ship Management (Irish Sea) Limited
Directors' Report

Director's stock options

According to the register of directors' interests, no rights to subscribe for the deferred stock in the ultimate parent company, The Peninsular and Oriental Steam Navigation Company, were granted to, or exercised by any of the directors, or their immediate families, during the financial year except as indicated below:

	At 1 January 2005	Granted in in year	Exercised in year	At 31 December 2005
H Deeble	151,994	-	-	151,994

According to the register of directors' interests, no rights to subscribe for the SAYE stock options in the ultimate parent company, The Peninsular and Oriental Steam Navigation Company, were granted to any of the directors or their immediate families, during the financial year except as indicated below:

	At 1 January 2005	Granted in in year	Exercised in year	At 31 December 2005
H Deeble	7,382	-	-	7,382

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 23 October 2006.



H Deeble
Director

Channel House
Channel View Road
Dover
Kent
CT17 9TJ

P&O Ship Management (Irish Sea) Limited
Statement of Directors' Responsibilities

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.

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.

P&O Ship Management (Irish Sea) Limited

Independent auditors' report to the members of P&O Ship Management (Irish Sea) Limited

We have audited the financial statements of P&O Ship Management (Irish Sea) Limited, for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These accounts 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on 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 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.

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

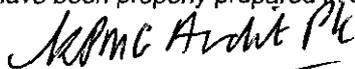
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its results for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Registered auditors
8 Salisbury Square
London
EC4Y 8BB

25 October 2006

P&O Ship Management (Irish Sea) Limited
Profit and Loss Account
for the year ended 31 December 2005

		Total	Total
	Notes	2005 £000	2004 £000
Administrative expenses		(86)	-
Operating loss		<u>(86)</u>	<u>-</u>
Loss on ordinary activities before taxation		<u>(86)</u>	<u>-</u>
Tax on loss on ordinary activities	3	-	-
Loss for the financial year	6	<u><u>(86)</u></u>	<u><u>-</u></u>

The company ceased its activities on 23 December 2003.

During the financial year the company did not trade. The only expense in 2005 relates to debtors no longer recoverable. In 2004, the company received no income and incurred no expenditure and consequently, neither made a profit or a loss.

The company had no recognised gains or losses in 2005 or 2004 other than those reported in the profit and loss account.

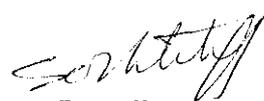
P&O Ship Management (Irish Sea) Limited
Balance Sheet
as at 31 December 2005

	Notes	2005 £000	2004 £000
Current assets			
Debtors	4	-	86
Net current assets		<u>-</u>	<u>86</u>
		<u>-</u>	<u>86</u>
Capital and reserves			
Called up share capital	5	-	-
Profit and loss account	6	-	86
Shareholders' funds	7	<u>-</u>	<u>86</u>

These financial statements were approved by the board of directors on 23 October 2006 and were signed on its behalf by:



H Deeble
Director



S E Ratcliffe
Director

P&O Ship Management (Irish Sea) Limited
Notes to the financial statements
for the year ended 31 December 2005

1 Accounting policies

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

In these financial statements the following new standards have been adopted for the first time: FRS 21 'Events after the balance sheet date'; the presentation requirements of FRS 25 'Financial Instruments: Presentation and Disclosure'; and FRS 28 'Corresponding Amounts'.

The above standards did not have any impact on the financial statements or comparative information.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the Standard.

2 Turnover and profit on ordinary activities before tax

The company did not trade in the two years ended 31 December 2005.

3 Taxation	2005	2004
	£000	£000
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	-	-
Tax on profit on ordinary activities	-	-

The current taxation charge is reconciled to the UK standard rate as follows:

	2005	2004
	£000	£000
Loss on ordinary activities before tax	<u>(86)</u>	<u>-</u>
Standard rate of corporation tax in the UK	30%	30%
	£000	£000
Profit on ordinary activities multiplied by the standard rate of corporation tax	(26)	-
Effects of:		
Expenses not allowable for tax purposes	26	-
Current tax charge for period	<u>-</u>	<u>-</u>

The P&O Group elected to enter the UK tonnage tax regime for its shipping related activities with effect from 1 January 2002.

P&O Ship Management (Irish Sea) Limited
Notes to the financial statements
for the year ended 31 December 2005

4 Debtors			2005	2004
			£000	£000
Amounts owed by parent undertaking			-	86
			<u> </u>	<u> </u>
5 Share capital			2005	2004
			£	£
Authorised:				
Ordinary shares of £1 each			100	100
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
	2005	2004	2005	2004
	No	No	£000	£000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	100	100	-	-
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>
6 Profit and loss account			2005	2004
			£000	£000
At 1 January			86	86
Retained loss			(86)	-
			<u> </u>	<u> </u>
At 31 December			<u> </u>	<u> </u>
7 Reconciliation of movement in shareholders' funds			2005	2004
			£000	£000
At 1 January			86	86
Loss for the financial year			(86)	-
			<u> </u>	<u> </u>
At 31 December			<u> </u>	<u> </u>

P&O Ship Management (Irish Sea) Limited
Notes to the financial statements
for the year ended 31 December 2005

8 Related party disclosures

Under Financial Reporting Standard 8, the company is exempt from reporting transactions with its parent and fellow subsidiary undertakings, as 90 per cent or more of the voting rights of the company are controlled within the group.

9 Ultimate parent and controlling company

The company's immediate controlling party and parent undertaking is P&O European Ferries (Irish Sea) Limited, a company incorporated in Great Britain and registered in England and Wales. The financial statements of P&O European Ferries (Irish Sea) Limited are available to the public and can be obtained from Channel House, Channel View Road, Dover, Kent CT17 9TJ.

The results of the company are included in the consolidated accounts of The Peninsular and Oriental Steam Navigation Company, its ultimate parent undertaking, 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.

Subsequent to the year-end, on 8 March 2006 all the issued and to be issued deferred and concessionary stock of the The Peninsular and Oriental Steam Navigation Company was acquired by Thunder FZE, a wholly owned subsidiary of Ports, Customs and Free Zone Corporation, Dubai.