

P&O Scottish Ferries Ship Management Limited

Registered Number 10350

DIRECTORS' REPORT AND ACCOUNTS

31 December 2004



P&O Scottish Ferries Ship Management Limited

Report of the Directors

The directors present their annual report and the accounts of the Company for the year ended 31 December 2004.

Principal activities

The company did not trade during the year.

Directors and directors' interests

The directors who held office during the year were as follows:

T.C.Cairns
R.M.Gradon (appointed 16th June 2004)
P.A.Walker (appointed 16th June 2004)

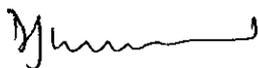
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the notifications received by the company relating to the interests of the directors at 31 December 2004 and their families in the share capital and debentures of group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	<u>Deferred Stock</u>		2004	<u>Deferred stock under option</u>		2003
	2004	2003		Exercised during the year	Granted during the year	
T.C.Cairns	7,205	7,205	97,185	21,894	-	119,079
P.A.Walker	37,933	16,055	160,560	-	-	160,560

R.M.Gradon is a director of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company, of which this Company is a wholly owned subsidiary. His interests in shares and debentures of group companies and of his awards under the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company.

By order of the board



Secretary

13 October 2005

P&O Scottish Ferries Ship Management Limited

Balance Sheet
at 31 December 2004

	Note	2004 £'000	2003 £'000
Current assets			
Debtors	2	400	400
		<hr/>	<hr/>
Total assets less current liabilities		400	400
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	3	400	400
Profit and loss account		-	-
		<hr/>	<hr/>
Equity shareholders' funds		400	400
		<hr/>	<hr/>

- a) For the year ended 31 December 2004 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.
- b) Members have not required the Company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985
- c) The directors acknowledge their responsibility for:
 - I. Ensuring the Company keeps accounting records which comply with section 221; and
 - II. Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the Companies Act relating to accounts, so far as applicable to the Company.

These financial statements were approved by the Board of directors on /3 October 2005 and were signed on its behalf by:



P.A. Walker
Director

P&O Scottish Ferries Ship Management Limited

Notes to the financial statements

1. These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The Company has not traded during the year nor the preceding year and thus no profit and loss account has been prepared.

2. **Debtors**

	2004	2003
	£'000	£'000
Amounts owed by group undertakings	400	400
	<hr/>	<hr/>

3. **Share capital**

	2004	2003
	£'000	£'000
Authorised, allotted, called up and fully paid 400,000 ordinary shares of £1 each	400	400
	<hr/>	<hr/>

4. **Immediate and Ultimate Parent Undertaking**

The company's ultimate holding company is The Peninsular and Oriental Steam Navigation Company, incorporated by Royal Charter in Great Britain and therefore not registered. Its accounts are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.