

**P&O Scottish Ferries Ship Management Limited**

Directors' report and financial statements

Registered number 10350

31 December 2003



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## Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2003.

## Principal activities

The company did not trade during the year.

## Dividend

The directors recommend that no dividend is paid. (2002: Nil)

## Directors and directors' interests

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

T.C.Cairns  
 R.M.Gradon (appointed 16<sup>th</sup> June 2004)  
 P.A.Walker (appointed 16<sup>th</sup> 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 2003 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>		<u>Deferred stock under option</u>				
	2003	2002	2003	Exercised during the year	Granted during the year	Surrendered during the year	2002
	£	£	£	£	£	£	£
T.C.Cairns	7,205	7,205	119,079		17,661		101,418

By order of the board



S. Scott  
 Secretary

26 October 2004

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to;

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

## **Independent Auditor's report to the members of P&O Scottish Ferries Ship Management Limited**

We have audited the financial statements on pages 4 to 6.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

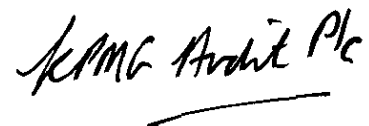
### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

London  
26 October 2004

**Profit and Loss Account**  
*for the year ended 31 December 2003*

	Note	2003 £000	2002 £000
<b>Turnover</b>		-	-
		<hr/>	<hr/>
<b>Result for the financial year</b>		-	-
		<hr/>	<hr/>

There are no recognised gains or losses for the financial year.

**Balance Sheet**  
*at 31 December 2003*

	Note	2003 £'000	2002 £'000
<b>Current assets</b>			
Debtors	2	400	400
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		400	400
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	3	400	400
Profit and loss account		-	-
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		400	400
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 26 October 2004 and were signed on its behalf by:



P.A. Walker  
 Director

## Notes

*(forming part of the financial statements)*

### 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.

#### Basis of preparation

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

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company undertaking includes the company in its own published consolidated financial statements.

### 2. Debtors

	2003 £'000	2002 £'000
Amounts owed by group undertakings	400	400
	<hr/>	<hr/>

### 3. Share capital

	2003 £'000	2002 £'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, which is incorporated by Royal Charter in Great Britain and therefore not registered.

The largest group in which the results of the company are consolidated is that headed by The Peninsular and Oriental Steam Navigation Company. The consolidated financial statements of The Peninsular and Oriental Steam Navigation are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

No other group financial statements include the results of the company.