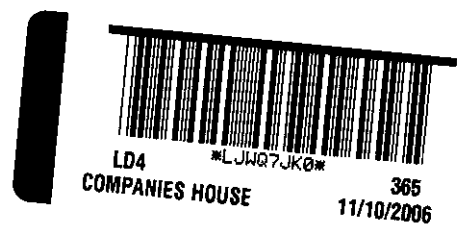


GRILTSSEN TWO LIMITED

REGISTERED NUMBER : 768472

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2005



GRILTSSEN TWO LIMITEDREPORT OF THE DIRECTORS

The directors present their annual report and accounts of the Company for the year ended 31 December 2005.

Principal activity and review of business:

The Company's principal activity is share investment. The results for the year, movements on reserves and on fixed assets are set out in the accounts. No dividend was paid or proposed for the year ended 31 December 2005 (2004 - £nil).

On 7 June 2005 the company changed its name from Sterling Guarantee Services Limited to Griltsen Two Limited.

Directors and directors' interests:

The directors during the year were:

R M Gradon (resigned 30 June 2006)

P A Walker

D J Leonard (resigned 31 August 2006)

D A Shaw (appointed 30 June 2006)

M Moore (appointed 30 June 2006)

According to notifications received by the Company relating to the interests of the directors 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:

	Deferred Stock		Deferred Stock under option			
	2005	2004	Opening balance 01/01/05	Granted in year	Exercised in year	Closing balance 31/12/05
PA Walker	55,359	37,933	160,560	-	-	160,560

In addition, during the year P A Walker was granted an award under the Performance Share Plan of £41,700 nominal of deferred stock, contingent on further performance.

R M Gradon was 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, the P&O Performance Share Plan and the P&O 2005 Matching Share Plan are disclosed in the directors' remuneration report included in the 2005 annual accounts of The Peninsular and Oriental Steam Navigation Company.

Auditors

Following the acquisition of The Peninsular and Oriental Steam Navigation Company, the directors have decided to appoint Ernst & Young LLP as independent auditors of the Company. Accordingly, KPMG Audit Plc have indicated that they will resign as auditors of the Company. The appointment of Ernst & Young LLP as independent auditors of the Company is to be proposed at the forthcoming annual general meeting.

16 Palace Street
London SW1E 5JQ

4 October 2006

On behalf of the Board


N REES
Secretary

GRILTSSEN TWO LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE DIRECTORS'
REPORT AND 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 the directors 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;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- to 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF

GRILTSEN TWO LIMITED

We have audited the financial statements of Griltsen Two Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Movement in Shareholders' Funds and the related notes. These financial statements 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 the 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 2, 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 accounts 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 any 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 accounts 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF

GRILTSEN TWO LIMITED continued

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 loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 October 2006

GRILTSEN TWO LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

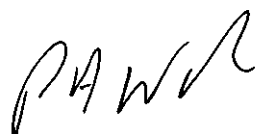
	Note	2005 £	2004 £
Sundry income		-	4
Dividends receivable		26	23
Profit on disposal of fixed asset investment		26	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	52	27
Tax on profit on ordinary activities	3	(98,015)	-
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	7	(97,963)	27
		<hr/>	<hr/>

All of the above transactions arise from continuing operations. The Company has no recognised gains or losses other than those detailed above.

GRILTSEN TWO LIMITEDBALANCE SHEET AT 31 DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Listed investments	4	275	278
Investments in Group undertakings	5	7,332,686	7,332,686
		<hr/>	<hr/>
		7,332,961	7,332,964
CURRENT ASSETS			
DEBTORS: Amounts owed by fellow subsidiaries		5,658,471	5,658,416
CREDITORS : amounts falling due within one year			
Corporation tax		(98,015)	-
		<hr/>	<hr/>
NET CURRENT ASSETS		5,560,456	5,658,416
		<hr/>	<hr/>
NET ASSETS		12,893,417	12,991,380
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	6	7,523,363	7,523,363
Share premium	7	3,082,707	3,082,707
Other reserves	7	234,694	234,694
Profit and loss account	7	2,052,653	2,150,616
		<hr/>	<hr/>
Equity shareholders' funds		12,893,417	12,991,380
		<hr/>	<hr/>

The accounts were approved by the Board on 4 October 2006 and signed on its behalf by P A Walker.



P A WALKER
Director

GRILTSEN TWO LIMITEDRECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'
FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	£	£
(Loss)/profit on ordinary activities after tax	(97,963)	27
Shareholders' funds at the beginning of the year	12,991,380	12,991,353
	<hr/>	<hr/>
Shareholders' funds at the end of the year	12,893,417	12,991,380
	<hr/>	<hr/>

GRILTSSEN TWO LIMITEDNOTES TO THE ACCOUNTS AT 31 DECEMBER 2005

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

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 accounting policies under these new standards are set out below together with an indication of the effects of their adoption.

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

As a result of the adoption of FRS 21, when the Company declares dividends, after the balance sheet date, to the shareholders, such dividends are not considered to represent a liability of the Company at the balance sheet date. Previously under SSAP 17 'Post Balance Sheet Events', provided the final dividend had been declared, authorised and was no longer at the Company's discretion at the date of approval of the financial statements, the dividends were treated as an adjusting post balance sheet event and accrued in the accounts for the year to which it related.

No dividends were approved post year end for either the year ended 31 December 2005 or 2004 therefore the adoption of FRS 21 has no impact of the results or net assets of the Company.

The adoption of the presentation requirements of FRS 25 has had no significant impact on the financial statements of the Company as the Company has no financial instruments which need to be reclassified in accordance with the requirements of this standard.

Basis of preparation of accounts

The accounts have been prepared on the historical cost basis and in accordance with the Companies Act 1985.

The accounts have been prepared in accordance with applicable United Kingdom accounting standards.

The accounts have been prepared on a going concern basis.

The Company is exempt under S228 of the Companies Act 1985 from the requirement to prepare group accounts because its results are included in the consolidated accounts of its parent company, The Peninsular and Oriental Steam Navigation Company.

GRILTSEN TWO LIMITEDNOTES TO THE ACCOUNTS AT 31 DECEMBER 2005

As the Company is a wholly owned subsidiary of the Peninsular and Oriental Steam Navigation Company, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of the Peninsular and Oriental Steam Navigation Company within which this company is included can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

Investments

Investments in subsidiary undertakings are stated at cost, less amounts written off for impairment in value. In the opinion of the directors, the investments in subsidiaries are worth at least their book value.

Deferred tax

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 from time to time.
- (b) The directors do not receive any remuneration for their services to the Company; their emoluments for work within the group are paid by other group companies and are dealt with in the accounts of those companies (2004 - £ nil).
- (c) Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this Company (2004 - £ nil).
- (d) The Company had no employees during the year (2004 - none).

3 TAXATION

	2005	2004
	£	£
UK corporation tax		
Current year tax charge	98,015	-
	<hr/>	<hr/>

GRILTSSEN TWO LIMITEDNOTES TO THE ACCOUNTS AT 31 DECEMBER 2005

The current taxation charge is greater than (2004 - credit is lower than) the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are explained below.

	2005 £	2004 £
Profit on ordinary activities before taxation	52	27
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	16	8
Effects of:		
UK expenses not deductible and other UK permanent adjustments	97,999	73,992
Group relief received	-	(74,000)
Current taxation charge for the period	98,015	-

4 LISTED INVESTMENTS

The amounts of investments listed on a recognised stock exchange are:

	£	
Cost at 1 January 2005	551	
Disposal	(3)	
Cost at 31 December 2005	<u>548</u>	
Provision at 1 January 2005 and 31 December 2005	<u>(273)</u>	
	2005	2004
	£	£
Net Book Value at 31 December	<u>275</u>	<u>278</u>
Market Value at 31 December	1,749	1,688

GRILTSEN TWO LIMITEDNOTES TO THE ACCOUNTS AT 31 DECEMBER 2005

5 INVESTMENTS IN GROUP UNDERTAKINGS

£

Cost at 31 December 2005 and at 31 December 2004	7,332,686
--	-----------

The company holds 7,332,686 £1 preference shares in Patchstart Limited.

6 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 31 December 2005 and 2004		
Ordinary shares of 25p each	10,000,000	7,523,363
	<hr/>	<hr/>
Number of shares	40,000,000	30,093,452
	<hr/>	<hr/>

7 RESERVES

	Share premium reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2005	3,082,707	234,694	2,150,616	5,468,017
Retained loss for the year	-	-	(97,963)	(97,963)
At 31 December 2005	3,082,707	234,694	2,052,653	5,370,054

8 PARENT UNDERTAKING

The results of the company are included in the consolidated accounts of The Peninsular and Oriental Steam Navigation Company, its ultimate United Kingdom 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, The Peninsular and Oriental Steam Navigation Company was acquired by Thunder FZE, a wholly owned subsidiary of Ports, Customs and Free Zone Corporation, Dubai.